



# Global Entrepreneurship Monitor: **GEM Egypt Report 2012**

Hala Hattab, **Ph.D.**







**Global Entrepreneurship Monitor**

**Egypt Entrepreneurship Report 2012**

Hala Hattab, PhD

*Disclaimer: This report is based on data collected by the GEM consortium and the GEM-Egypt team. The authors have attempted to ensure the accuracy and completeness of the information contained in this publication, however, no responsibility can be accepted for any errors and inaccuracies that may occur.*

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## ***Message from the Director of Research and Policy- Silatech***

It has been nearly three years since beginning of the social unrest that swept across the Arab world. The unrest was sparked by the actions of Mohamed Bouazizi, a young, frustrated Tunisian street vendor... a micro-entrepreneur... and quickly spread to Egypt and other countries of the region. Bouazizi's situation exemplifies the circumstances and frustrations of millions of necessity-driven entrepreneurs across the Arab region, unable to find decent work and running a micro-business in order to support their families.

The post-Revolution period in Egypt should have been a time of expanding opportunities and increasing social and economic activity, especially among the country's youth who were at the forefront of the political changes that took place. Instead, according to the 2012 GEM Survey, entrepreneurial activity in Egypt changed little between 2010 and 2012, with only 7.8% of the population actively involved in starting a business. Furthermore, a majority of respondents (56%) indicated that the conditions for starting and growing a business had remain unchanged or worsened after the 2011 Revolution. While other countries have been working hard to improve their business climate and global competitiveness, entrepreneurs in Egypt continue to struggle to start and run a business. Indeed, Egypt's World Bank Doing Business ranking fell to 128 (out of 189 countries covered). Since 2010, according to the rankings, not a single reform has been implemented to improve the business climate in Egypt.

In order to live up the promise of the Revolution, the government and development community in Egypt must move quickly and deliberately towards improving the entrepreneurship ecosystem in the country. The 2012 GEM Egypt Report provides a valuable resource for informing policies and programs aimed at improving the conditions for entrepreneurs in Egypt, both risk-taking innovators looking to start and grow a business and struggling micro-entrepreneurs trying to support their families. The good people of Egypt deserve a healthy entrepreneurship ecosystem; one that allows all types of socially-beneficial enterprises and activities can grow, thrive, and contribute economic growth, jobs, and prosperity.

**Nader Kabbani, Ph.D.**

Director of Research and Policy  
Silatech

***Message from the Vice President (Enterprise and Community Service), The British University in Egypt.***

Since the inaugural Global Entrepreneurship Report for Egypt was published in 2009, the country has gone through a very difficult period, including two “revolutions”. Perhaps never before has Egypt needed an enterprise culture, as it does now. With an unstable political economy, reduced foreign aid, inward investment and job opportunities, the country needs to begin to take ownership of its own destiny by generating more job and wealth creating opportunities. Unfortunately, but not surprisingly, perhaps, under the circumstances, the Report shows that by 2012 the level of entrepreneurship in the economy had dropped somewhat from that recorded in 2008. However, it is not all bad news by any means. Apart from the young people of Egypt, in particular, having demonstrated that there can be a new vision for Egypt, the study shows that since 2011 there is an air of optimism among the population, that the conditions for the creation of a more entrepreneurial culture are beginning to improve.

Clearly, as the Report recognises, there is still a lot to be done, once stability has been achieved, but the study shows what is required and where improvements are needed. That is the benefit of a longitudinal study such as this. It not only identifies trends but indicates what needs to be done. For its part, the BUE is delighted to be the lead research partner in this important study and to contribute to the promotion of entrepreneurship in Egypt, not just through our research activities but through the education of our students. We trust that the information contained in this report will influence Egypt’s leaders and policy makers, as well as inform our students and Egypt’s youth of the importance of enterprise to the economy and the future prosperity of the country.

On behalf of the University, I would like to thank Dr Hattab for leading the project and our partners, The International Development Research Centre and Silatech, for their support, not least for raising the funding. Also, thanks must go to those individuals who made the study a reality – the members of the general public who participated in the Adult Population Survey and the experts who gave of their time to participate in the National Experts’ Survey. Without them, the research could not have been possible.

I commend the Report to you and hope you will find it of interest and of value, and that it will contribute to the creation of a more prosperous economy and society. May God Bless Egypt at this critical time in its evolution.

**Professor David A. Kirby.**

Holder of The Queen’s Award for Enterprise Promotion  
Vodafone Chair of Business Administration.

## ***Acknowledgements***

The GEM-Egypt team would like to thank all those who helped make the GEM-Egypt 2012 project possible. In particular the project's main sponsors, The International Development Research Center (IDRC), Ottawa, Canada represented by Dr. Nadia Belhaj and Silatech represented by Dr. Nader Kabbani, who believed in the value of the GEM research for Egypt post revolution and collaborated with the British University in Egypt to make it possible. A considerable amount of gratitude goes to Both Dr. Belhaj and Dr. Kabbani for supporting the Egyptian team through their valuable comments and suggestions to improve the report and data analysis.

The GEM Egypt team acknowledges the time and thoughts put into the report by Prof. David A. Kirby, the Founding Dean of the Faculty of Business Administration, Economics and Political Science and the Vice President for Enterprise and Community Service in the British University in Egypt.

The GEM Egypt team acknowledges the work and efforts of The Nielsen Company in conducting the Adult Population Survey of a nationally representative sample of over 2,500 adults across the county, achieving a high level of quality and precision according to GEM international standards.

Finally, appreciation is extended to the thousands of Egyptians who took time to participate in the Adult Population Survey and the Survey of National Experts. They generously shared their time and insights to enrich our understanding of the current state of entrepreneurship in Egypt. The result has been a very rich dataset about the level of entrepreneurial activity in the country and the environment and conditions for the emergence of new entrepreneurs, thereby aiding decision-making and policy formulation

## ***Executive Summary***

On 25<sup>th</sup> of January, 2011, thousands of Egyptians went into streets demanding their basic rights of freedom, dignity and social justice. Later, they were joined by millions of protesters to support the initial requests reflecting what the Egyptian nation was seeking. These demonstrations lasted for 18 days and resulted in a change that impacted not only the political life but all other aspects of Egyptian daily life. Over the 15 months, between the beginning of the revolution and data collection for the Global Entrepreneurship Monitor project, the country witnessed unrest and uncertainty, which affected, among others, the rate of entrepreneurship and new venture creation rates. Thus the 2012 GEM Study is important for Egypt for three key reasons:

- ❖ It is the first study that captures the effect of the 25<sup>th</sup> of January, 2011 revolution on entrepreneurship in the country; using a nationally representative sample.
- ❖ It is the first study at its level that tackles the status of women in Egypt post revolution.
- ❖ It is the 3<sup>rd</sup> cycle after 2010 and 2008, enabling emerging trends to be identified

The GEM Egypt 2012 team is comprised of the British University in Egypt, The International Development Research Centre and Silatech. The study is made up of two components, the Adult Population Survey completed by a nationally representative sample of some 2,500 respondents across Egypt, and the National Experts Survey completed by 36 experts in fields related to entrepreneurship. The key findings from both components are summarised below.

### ***Entrepreneurship Activity in Egypt***

- ❖ In general, Egyptian adults aged 18-64 years old have a positive attitude towards entrepreneurship. Almost 85% of Egyptian adults believe that entrepreneurship is a desired career choice, 60% think they have the required skills and knowledge to start their own business and 42% expressed their intentions to start a business in the future. However, almost one third of them expressed a moderate fear of failure upon starting a business.
- ❖ In Egypt, the Total Entrepreneurial Activity rate (TEA), which measures the percentage of the population (18-64 years old) either actively trying to start a business or already owning and managing a business less than three and a half years old, is 7.82% .
- ❖ Nascent entrepreneurs who are actively trying to start a business account for 3.1% of the adults in Egypt, while owner/managers of a new business that is between four and 42 months old account for 4.87%, whereas the owners and managers of an established business that has been in existence for more than 42 months account for 4.16%. Overall, 11.5% of adults in Egypt in 2012 were either actively trying to start a new business or owning a young or established business.
- ❖ If extrapolated to the total population in Egypt, an estimated 3.6 million Egyptians are early stage entrepreneurially active, of which 1.4 million are nascent entrepreneurs, 2.2 million are owners of new firms, and 1.9 million are owners of established businesses.

- ❖ On average, 1.93 adults are involved in the start-up of each nascent enterprise, and 2.11 adults in the management and ownership of each new firm.
- ❖ In 2012, the 1.4 million nascent entrepreneurs were trying to start 727,000 new enterprises; and the 2.2 million new firm entrepreneurs owned and managed 1.05 million new firms.
- ❖ Egypt has one of the lowest business discontinuation rates compared to other factor driven economies in 2012 with a rate of 5.28%. Almost 40% of Egyptian discontinued businesses did so because the business is not profitable.
- ❖ Necessity-driven entrepreneurship is the main motive of early stage entrepreneurs in Egypt; a common feature of a factor-driven economy; and an expected outcome of the transition period the country passed through since 25<sup>th</sup> of January, 2011.
- ❖ Demographic groups of the adult population with the highest TEA rates were: 1) men; 2) those in the 25-34 year age group; 3) those with a post-secondary degree; 4) those with household income of EGP 8,001-10,000; 5) those living in Cairo; and 6) those who are self-employed.
- ❖ Very few women in Egypt are engaged in early stage entrepreneurial activities; whereas the gender gap in Egypt is among the highest in the countries participating in GEM 2012. Compared to previous cycles, their share of all entrepreneurs is the lowest. In 2012, Egyptian women represented only 14% of those who were either trying to start a business or managing and owning a business that is less than 42 months old and 12% of owners/managers of businesses that are older of 42 months.
- ❖ Early-stage enterprises are: 1) concentrated in consumer oriented services such as the retail trades, hotels and restaurants, etc.; 2) very small, employing fewer than 5 workers; expecting to create 5-19 jobs in the coming five years; 3) locally-oriented, serving the national market with low export orientation; 4) minimally involved in the high/medium technology sectors; and 5) not registered with the legal authorities (i.e. operating informally).
- ❖ Compared to previous cycles, 2012 saw a slight improvement in the rate of early-stage entrepreneurship compared to 2010, and a drop in the necessity driven entrepreneurship but the business discontinuous rate had increased. On the other hand, compared to 2008, these rates remain lower, with proportionately fewer adults involved in entrepreneurship pursuing market opportunity, but with a lower discontinuous rate.

<b>GEM Category</b>	<b>2008</b>	<b>2010</b>	<b>2012</b>
TEA rate	13.1%	7.0%	7.8%
Nascent Entrepreneurs	7.9%	2.1%	3.1%
New Firm Entrepreneurs	5.5%	4.9%	4.9%
Established Business Owners	8.8%	4.5%	4.1%
Business Discontinuance Rate	6.3%	3.8%	5.3%
Necessity-driven (% of TEA)	23%	53.0%	33.6%
Improvement-driven opportunity (% of TEA)	40%	25.2%	22.9%

### ***Impact of 25<sup>th</sup> January, 2011 Revolution***

- ❖ The majority of Egyptian adults and entrepreneurs felt that conditions to start and grow a business had improved after the revolution. New firm owners were less content with these conditions compared to nascent entrepreneurs and established business owners.
  
- ❖ Egyptian adults were least satisfied with the security situation and economic situation after revolution (49% and 48% respectively expressed their dissatisfaction with these two situations). The Egyptian early stage entrepreneurs were more satisfied with the current conditions for starting a business (48%), the economic situation (46%), the government's performance (45%) and the level of development in their cities (41%) after the revolution compared to before it; but they were least satisfied with the security situation (50%) and the government's response to the social claims (44%).
  
- ❖ The adult population were slightly more satisfied with six national conditions influencing the entrepreneurial activities in Egypt after the revolution compared to before it. These conditions were (in descending order) intellectual property rights, opportunities to start a business, education and training, entrepreneur's social image, favourable cultural and social norms, financing instruments and tools. They felt that two conditions (market openness and infrastructure) were better supporting entrepreneurial activities in Egypt before the revolution.

### ***The National Expert Survey on the Entrepreneurial Framework Conditions (EFC)***

The second key component of the GEM study includes assessment of nine entrepreneurial framework conditions identified by GEM as being crucial to provide a supportive and enabling environment for new business establishment and growth. These are: 1) availability of financial support; 2) government policy support; 3) extent and quality of government support programmes; 4) the presence of entrepreneurship in the education and training system; 5) accessibility of R&D and technology; 6) the extent, quality, and cost of commercial services available; 7) the degree of market openness and dynamism to make room for the entry of new firms; 8) ease of access to physical infrastructure (e.g. ICT, utilities, transportation systems, land); and 9) the extent to which existing social and cultural norms encourage or discourage individual actions leading to entrepreneurial activity (e.g. entrepreneurial culture, respect for entrepreneurs). Thirty six National Experts, who were carefully selected based on their expertise in one or more of these factor conditions, assessed these conditions through the National Experts Survey. Additionally, they were asked to provide a list of three items of constraining factors to entrepreneurship, fostering factors and recommendations to improve the entrepreneurial activities in Egypt.

- ❖ The Egyptian national experts expressed their dissatisfaction with the support given by the national framework conditions to entrepreneurship in Egypt. Except for the "physical infrastructure", the EFCs received a mean score of less than 3; indicating that the experts perceive these factors as weak and rather than working to enhance the level of entrepreneurship in the country, these EFCs are hindering it.
  
- ❖ Education and training received the poorest assessment of all EFCs with a mean score of 1.28, ranking Egypt last among the 69 countries participating in 2012 cycle and lowest score compared to previous cycles. This low mean score reflects the weakness of this factor in supporting entrepreneurship; moreover, the experts listed the education system, at all levels, as one of the top constraining factors to the development of entrepreneurship in Egypt.

- ❖ Research and Development and technology transfer is another poorly perceived framework condition by the Egyptian experts, with a mean score of 1.80, ranking Egypt 68<sup>th</sup> among the GEM 2012 69 countries. Experts believed that new and growing firms are not easily accessing the R&D, while there are very few opportunities to transfer the new technologies, science and other knowledge from universities to new and growing firms.
- ❖ The experts perceived the role played by the government in supporting the new and growing firms as weak whether through the policies or programmes. The experts believed that government programmes are insufficient and ineffective, while policies are not tailored to meet the needs nor to assist the Egyptian entrepreneurs in starting and growing their businesses.
- ❖ Another entrepreneurship framework condition that was perceived as a weak factor was the financial support. It was viewed as insufficient and not available to the new and growing firms when needed. Experts viewed lack of innovative and suitable financial instruments as the number one constraining factor to entrepreneurship in the country.
- ❖ Egyptian national experts provided several recommendations to improve the level of entrepreneurship in the country. The two main recommendations focused on reforming the education system and vocational training programmes and introducing and supporting unconventional financial means tailored to fit the needs of new and growing firms.

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## ***Part I: Introduction to Global Entrepreneurship Monitor- Egypt 2012***

Over the past few years, more attention has been paid to entrepreneurship in Egypt; for its vital role in job creation, opening up opportunities for youth, stimulating innovation and other aspects that contribute directly to the economic prosperity of the country; for example, in 2008, 11.4% of Egypt's early-stage entrepreneurs indicated that they are expecting to create more than 10 jobs in the coming five years<sup>1</sup>. The growing attention is clear from the increasing number of key players who are actively engaged in promoting the entrepreneurial spirit among Egyptians, such as The Middle East Council for Small Business and Entrepreneurship, BADER entrepreneurship programme, EGYPRENEUR, INNOVENTURE, Startup Weekend and others, through activities organised in the different governorates of Egypt targeting all age categories including business plan competitions, global entrepreneurship week that has been held on annual basis since 2008, networking events, etc.. Other key players are venture capital companies, like Tamkeen Capital, Flat6Labs, etc.. who invest and foster start-ups in the country. More universities are currently offering certificates in the field of entrepreneurship as the British University in Egypt and American University in Cairo.

With this interest, it is anticipated that there are more Egyptians pursuing entrepreneurial opportunities and starting businesses. However, Egyptian entrepreneurs and business owners have faced many challenges over the last couple of years, mainly due to the Egyptian Revolution of 2011 that took place following a popular uprising that began on 25<sup>th</sup> of January 2011; whose impact extended to affect all aspects of life. Following the participation in two previous cycles of the Global Entrepreneurship Monitor programme (GEM) in 2008 and 2010, which served to place Egypt on the international map of entrepreneurship and at the same time, expanded understanding of the phenomenon in the country, it was deemed necessary to participate in the 2012 cycle to investigate the status of entrepreneurship and characteristics of entrepreneurs and their enterprises in Egypt post revolution.

The Global Entrepreneurship Monitor (GEM) is the largest and most developed research programme on entrepreneurship in the world. It was initiated as a partnership between the London Business School (UK) and Babson College (USA) in 1999 with 10 countries. Since then, it has grown into a consortium of more than 400 researchers from 99 countries over its 14 year history. In 2012, more than 198,000 people in 69 countries at different levels of economic development participated in the study.

GEM provides an annual assessment of the entrepreneurial activity, aspirations and attitudes of individuals across countries at different levels of economic development and examines the factors that contribute to an entrepreneurial climate and the links between entrepreneurship and economic growth. Each year, a team of researchers from participating countries in the GEM cycle conducts its own independent investigation of domestic entrepreneurship using the same investigation methods, to ensure quality and comparability of the data, in order to study the complex relationships between new venture creation, economic growth, culture, government policies, and national prosperity (see Annex 1 for information on the GEM teams in the 69 participating countries).

Egypt is participating in the GEM research project for the third time in 2012. This national initiative is supported by the British University in Egypt (BUE), the International Development Research Centre (IDRC) and Silatech (see Annex 2 for information on the GEM-Egypt 2012 team members). The 2012 cycle is of particular importance as it investigates the status of entrepreneurship in the country post revolution, which is the most pivotal event Egypt witnessed over the last 30 years and impacted its society, economy and politics.

## ***The GEM Conceptual Model***

GEM defines entrepreneurship as “any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business”<sup>ii</sup>. By adopting this definition, GEM stresses on the importance of new and small businesses to the economy of any country, whereas the primary measure of entrepreneurship used is the Total Early Stage Entrepreneurial Activity (TEA) Index, which determines the percentage of a country’s adult population (i.e. individuals aged 18–64 years) who are actively trying to start a new business (nascent entrepreneurs) and those who at least partially own and manage a business less than 3.5 years old (a new business). Accordingly, the entrepreneur is viewed as either someone who is just starting a venture and trying to succeed in a very competitive market or as an established business owner who has been in business for quite a number of years and still be innovative, competitive, and growth-minded.

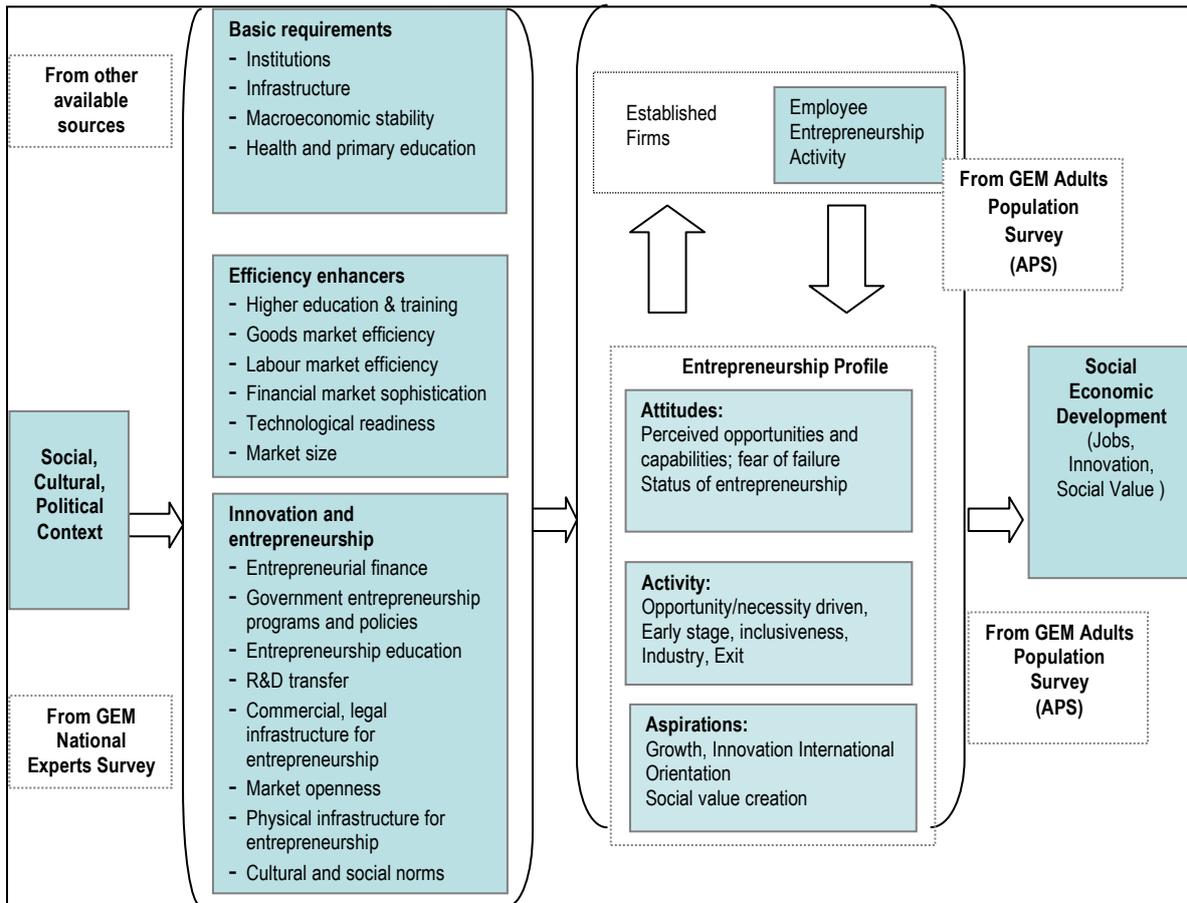
GEM takes a comprehensive approach and considers the degree of involvement in entrepreneurial activity within a country and identifies different types and phases of entrepreneurship. As such, GEM works toward the following objectives<sup>iii</sup>, which are explored in the context of a theoretical model illustrated in Figure 1:

1. To allow for comparisons with regard to the level and characteristics of entrepreneurial activity among different economies;
2. To determine the extent to which entrepreneurial activity influences economic growth within individual economies;
3. To identify factors which encourage and/or hinder entrepreneurial activity; and,
4. To guide the formulation of effective and targeted policies aimed at stimulating entrepreneurship.

The GEM model (Figure 1) illustrates the relevant national conditions that impact economic development and activity, and those facilitating innovation and entrepreneurship in a society. The model recognizes the impact of three sets of framework conditions, which are the basic requirements, the efficiency enhancers and innovation and entrepreneurship factors; however, the focus on any of these factors is determined by the country’s level of economic development. The basic requirements include country’s macroeconomic stability, institutions, infrastructure, health and primary education, and are the underlying fundamental conditions required for a well-functioning business environment. As these factors become relatively established, and the economy moves forward, the focus shifts to efficiency enhancers; these factors, which improve the level of efficiency in economic markets and hence enable and facilitate efficiency of entrepreneurship, include higher education and training, goods and labour market efficiency, financial market sophistication, technological readiness and market size. The third set of factors is the features that are expected to have a significant impact on innovation and entrepreneurial activity; the so called Entrepreneurial Framework Conditions (EFCs), which are considered to be the main determinants of a nation’s entrepreneurial environment.<sup>iv</sup> Definitions for each of the nine EFCs are presented in Annex 3.

The figure also acknowledges the efforts of employee entrepreneurs, those who develop and lead new business activities for their employers especially in the established businesses.

Figure 1 GEM Conceptual Model

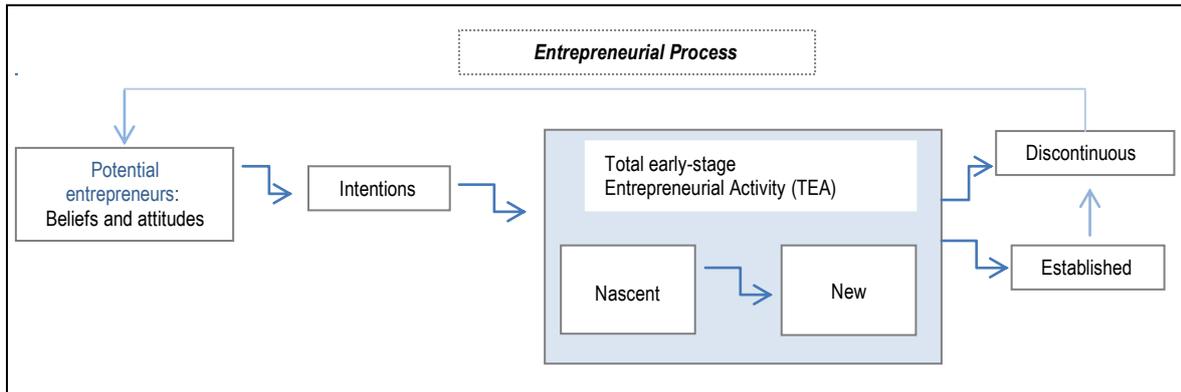


Source: *Global Entrepreneurship Monitor, 2012 Executive Report*, p. 16.

GEM perceives the entrepreneurship as a process by which new enterprises are founded and become viable. The process comprises different phases, from intending and trying to start a business by bringing together the required resources, to setting up a business, to managing and owning new business, to growing the business to be an established enterprise and even discontinuing a business. Although these phases proceed progressively, no one stage is dealt with in isolation or is totally completed before work on other phases occurs. However, the entrepreneurial process starts before the firm is operational (Figure 2); it starts with the motivation to pursue an entrepreneurial career. Underlying this motivation is the strength of the individual's abilities (human capital) and his/her attitudes to elements provided by entrepreneurship<sup>v</sup>.

As Figure 2 shows, GEM provides an umbrella under which a wide variety of entrepreneurial characteristics, such as motivations, innovativeness, competitiveness, and high-growth aspirations, can be systematically and rigorously studied through the life cycle of the entrepreneurial process and looks at individuals at the point when they begin to consider the entrepreneurial alternative; commit resources to start a business they expect to own themselves (nascent entrepreneurs); when they currently own and manage a new business that has paid salaries for more than three months but not more than 42 months (new business owners); and when they own and manage an established business that has been in operation for more than 42 months (established business owners).

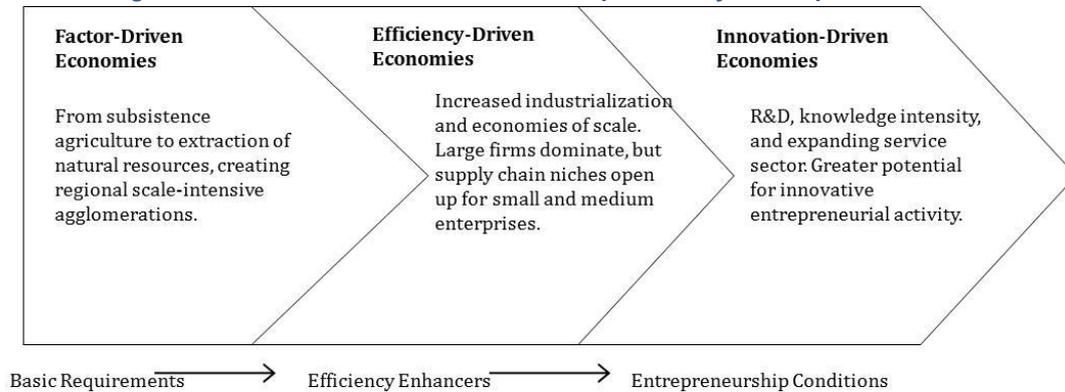
**Figure 2 The Entrepreneurial Process**



Source: *Global Entrepreneurship Monitor, 2012 Executive Report*, p. 13.

The GEM is using the World Economic Forum’s Global Competitiveness Report to classify participating countries as factor-driven economies, efficiency-driven economies and innovation-driven economies. According to Global Competitiveness Index, countries are classified based on their stage of economic development<sup>vi</sup>, more specifically based on GDP per capita and the share of exports comprising primary goods. Each country has to give emphasis to certain conditions and requirements in order to nurture entrepreneurship depending on where it is in the development process. The role played by entrepreneurial activity also varies depending on a country’s level of development. Figure 3 illustrates the characteristics of these economic groups and the key development focus at each level.

**Figure 3 Characteristics of Economic Groups and Key Development Focus**



Source: *Global Entrepreneurship Monitor, 2011, Extended Report*, p. 13.

## Research Methodology

The main data collection methods used in the GEM research are:

- ❖ **The Adult Population Survey (APS), conducted with a randomly-selected sample of a minimum of 2,000 adults, aged 18-64 years old.**

The APS is the primary research tool of GEM. Each national team must survey at least 2,000 adults in their country using best practice in social science survey techniques. To ensure consistency and cross-country comparability, each country conducts exactly the same survey of its adult population at the same time of the year using the same methodology. The individual country surveys are then harmonised into one master dataset.

The 2012 APS survey questionnaire included a series of questions organised in several thematic areas to assess the attitudes and perceptions of the adult population towards entrepreneurship, their level of engagement in entrepreneurial activity, the characteristics of their enterprises, and their expectations for the future. The survey includes:

1. Questions to all respondents regarding: a) their activities related to trying to start a business (nascent entrepreneur), ownership and management of a business less than 42 months old (new business), ownership and management of businesses more than 42 months old (established business), and ownership of a business that has been closed down; b) their exposure to other entrepreneurs, perception of good opportunities for starting a business, self-perception of their knowledge, skills and experience required to start a business, and whether fear of failure would prevent them from starting a business; and perceptions about the value of entrepreneurship in society (i.e. desirable career choice, respect for entrepreneurs, and public media coverage of entrepreneurship).
2. Questions for both the individuals trying to start a business (e.g. the number of people involved in the start-up, etc.) and the individuals with new businesses (i.e. year in which first wages, profits or payments in kind were received by the entrepreneur); the type of business; innovativeness of the product or service; number of competitors; use of new technologies or processes; percentage of customers outside the country (level of export orientation); number of employees; motivations for starting the business; and number of businesses they currently have or have had in the past.
3. Questions for all individuals who own a business: a) number of owners involved; year of start-up; type of business; number of employees now, expectations for employment five years from now; motivations for being in business; and other questions asked in 2 above.
4. Questions for individuals who had a business in the past but discontinued the business (closed it, sold it or left it); reasons for the leaving the business and whether the business continued in some form.
5. Questions for youth entrepreneurs about: 1) the amount and sources of start-up capital; 2) premises of the business; 3) sources of influence on decision making; 4) business activities; and 5) long terms employment preferences.
6. Demographic questions to all of the respondents: gender, age, education, labour force status, household income level, household size, city or rural location.
7. Questions for all respondents (general population and business owners) about the impact of revolution on<sup>1</sup>: 1) ease of starting and growing a business one year after revolution, compared to before revolution; 2) current conditions in the country in terms of economic situation, conditions for starting a business, security situation, government's response to social claims, level of development and government performance in general; and, 3) women's status in terms of opportunities for economic participation and starting and growing their own businesses, support given to them and equality between men and women. Respondents also were asked questions about their future expectations for the situation in the country.

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<sup>1</sup> Specific questions added by the GEM Egypt 2012 team to assess the impact of revolution in starting and growing businesses.

The data has been collected from a nationally-representative sample of 2400 adults aged between 18-64 years old using a combination of face-to-face interview with 360 adults and telephonic interview using random digit dialling (mobile telephone) with 2040 adults. The sample was stratified by using 5 regions (Greater Cairo, Alexandria, Canal Zone, Delta and Upper Egypt). The data collection was conducted between June and August 2012 by Nielsen Company; a market research specialised company.

- ❖ ***The National Experts Survey (NES), conducted with 36 experts (key informants) on various aspects of entrepreneurship, selected on the basis of their knowledge and experience with respect to the nine entrepreneurial framework conditions (explained in Annex 3).***

GEM's operational definitions are elaborated in Table 1.

**Table 1 Glossary of GEM Terminology and Main Indicators**

<b>Defined terms and indicators</b>	<b>Description</b>
<b><i>Nascent entrepreneur</i></b>	A person between 18-64 years of age who is actively trying to start a new venture and has done something during the previous 12 months to help start a new business that he or she will own, at least in part. Activities such as organising the start-up team, looking for equipment, saving money for the start-up, or writing a business plan would all be considered active commitments to starting a business. Wages, salaries or any other payment have not been paid to the owner/co-owner from the business for more than three months.
<b><i>New firm entrepreneur</i></b>	An entrepreneur aged 18–64 years, who, at least in part, owns and manages a new business that is between four and 42 months old and has not paid salaries, wages or any other payments to the owner/co-owner for more than three months but not more than 42 months.
<b><i>Established business owner</i></b>	In addition to those adults who are currently involved in the early stages of a business, there are also many individuals who have set up businesses that they have continued to own and manage for a longer time. Established business owners are owner-managers of an existing established business that has paid salaries, wages or other payments to the owner/co-owners for more than 42 months.
<b><i>Nascent entrepreneurship rate</i></b>	Percentage of the 18-64 adult population who is currently a nascent entrepreneur (as defined above).
<b><i>New business ownership rate</i></b>	Percentage of the 18-64 adult population who is currently an owner-manager of a new business (as defined above)
<b><i>Early-stage entrepreneurial activity (TEA) rate</i></b>	Percentage of the 18-64 adult population who is either a nascent entrepreneur or a new firm entrepreneur (as defined above). In some instances, this rate is less than the combined percentages for nascent and new firm entrepreneurs; in circumstances where respondents qualify as both a nascent and a new firm entrepreneur, they are counted only once.
<b><i>Established business ownership rate</i></b>	Percentage of the 18-64 adult population who is currently an owner-manager of an established business that has paid wages, salaries or other payments to the owner-manager(s) for more than 42 months (as defined above).
<b><i>Overall entrepreneurial activity rate</i></b>	Percentage of the 18-64 adult population who are involved in early-stage entrepreneurial activity plus owner-managers of established businesses (as defined above).
<b><i>Business discontinuance rate</i></b>	Percentage of the 18-64 adult population who have, in the past 12 months, discontinued a business, either by selling, shutting down, or otherwise discontinuing an owner/management relationship with the business.

## ***Part II: Adult Population Survey (APS) Findings***

The Global Entrepreneurship Monitor (GEM) was designed to capture various aspects of firm creation and entrepreneurship across countries; through collecting data from at least 2000 adults aged 18-64 using the Adult Population Survey (APS), which is the main data collection tool. This part of the report presents the APS findings regarding the entrepreneurially-active adults in Egypt, in terms of their entrepreneurial orientations, rates of involvement in the entrepreneurship process, demographics and enterprises' characteristics. International comparison is presented in some parts of this section to check Egypt's rank among the other 68 countries participating in this cycle. Other important subsections are the impact of revolution on the entrepreneurial process in Egypt and entrepreneurship among Egyptian youth (less than 24 years old).

### ***Egypt's Entrepreneurial Orientation: Entrepreneurial Attitudes and Perceptions of the Population***

GEM acknowledges the importance of entrepreneurial intentions as a prerequisite to actually starting a business. According to the entrepreneurial process depicted in figure 2, the process starts with potential entrepreneurs, who believe they possess the capabilities and see opportunities to start businesses, while not being held back by fear of failure. For some potential entrepreneurs, their intentions to start businesses are underpinned by the perceptions society holds of entrepreneurs, the status these individuals enjoy in their society, and whether the media positively portrays entrepreneurs.

GEM surveyed several indicators of attitudes grouped into two sets; individual self-perceptions (a self-awareness of the characteristics that constitute one's self-knowledge) and societal beliefs (an individual's perception of whether people important to the individual think the behaviour should be performed).

The individual self-perceptions include the following indicators:

- ❖ Awareness about good opportunities for starting a business in one's area.
- ❖ Belief in one's skills and experience to start a business.
- ❖ Attitude towards failure.

Societal beliefs include the following indicators:

- ❖ Perception of starting a business as a good career choice.
- ❖ Opinion about the association of entrepreneurship with high status.
- ❖ Attention of media for entrepreneurship.

The results of survey are shown in Table 2 for each of the GEM 2012 countries, grouped by their phase of economic development.

**Table 2 Entrepreneurial Attitudes and Perceptions in the GEM Economies in 2012 by Phase of Economic Development**

Economy	Perceived opportunities	Perceived capabilities	Fear of failure*	Entrepreneurial intentions **	Entrepreneurship as a good career choice+	High status to successful entrepreneurs+	Media attention for entrepreneurship+
<i>Factor Driven Economies</i>							
Algeria	46	54	35	21	79	81	47
Angola	66	72	38	70			
Botswana	67	71	25	72	76	73	79
<b>Egypt</b>	<b>54</b>	<b>59</b>	<b>33</b>	<b>42</b>	<b>83</b>	<b>87</b>	<b>64</b>
Ethiopia	65	69	33	24	76	92	73
Ghana	79	86	18	60	84	91	82
Iran	39	54	41	23	60	73	61
Malawi	74	85	12	70			
Nigeria	82	88	21	44	82	76	78
Pakistan	46	49	31	25	66	68	51
Palestine	46	59	40	36	85	80	71
Uganda	81	88	15	79			
Zambia	78	84	17	55	67	79	72
<i>Efficiency Driven Economies</i>							
Argentina	50	63	27	29	74	67	63
Barbados	47	70	17	23			
Bosnia and Herzegovina	20	49	27	22	81	72	39
Brazil	52	54	31	36	89	86	86
Chile	65	60	28	43	70	68	66
China	32	38	36	20	72	76	80
Colombia	72	57	32	57	89	75	69
Costa Rica	47	63	35	33	72	72	79
Croatia	17	44	36	19	64	42	40
Ecuador	59	72	33	51	88	84	79
El Salvador	43	59	42	40	73	72	62
Estonia	45	43	34	16	55	63	41
Hungary	11	40	34	13	41	74	29
Latvia	33	44	37	22	60	53	53
Lithuania	30	40	36	18	63	53	37
Macedonia	31	55	39	28	70	67	64
Malaysia	36	31	36	13	46	51	62
Mexico	45	62	26	18	56	54	38
Namibia	75	74	35	45	73	76	82
Panama	38	43	17	12			
Peru	57	65	30	45	77	73	76
Poland	20	54	43	22	68	57	56
Romania	37	38	41	27	71	74	55
Russia	20	24	47	2	60	63	45
South Africa	35	39	31	12	74	74	73
Thailand	45	46	50	19	76	79	84
Trinidad & Tobago	59	76	17	37	78	76	64
Tunisia	33	62	15	22	88	94	48

Turkey	40	49	30	15	67	76	57
Uruguay	51	58	27	20	61	59	51
<b><i>Innovation Driven Economies</i></b>							
Austria	49	50	36	9	46	76	
Belgium	33	37	41	9	62	57	54
Denmark	44	31	39	7			
Finland	55	34	37	8	45	83	68
France	38	36	43	17	65	77	41
Germany	36	37	42	6	49	76	49
Greece	13	50	61	10	64	68	33
Ireland	26	45	35	5	45	81	61
Israel	31	29	47	13	59	72	47
Italy	20	30	58	11	67	70	51
Japan	6	9	53	2	30	55	53
Korea	13	27	43	13	59	70	68
Netherlands	34	42	30	9	79	65	58
Norway	64	34	39	5	50	80	59
Portugal	16	47	42	14			
Singapore	23	27	42	16	50	63	77
Slovakia	18	50	38	12	50	74	59
Slovenia	20	51	27	13	53	71	51
Spain	14	50	42	11	64	64	47
Sweden	66	37	33	11			
Switzerland	36	37	32	7	44	63	57
Taiwan	39	26	38	25	70	63	83
United Kingdom	33	47	36	10	50	77	47
United States	43	56	32	13			

Source: *Global Entrepreneurship Monitor, 2012 Executive Report, pp. 20-22.*

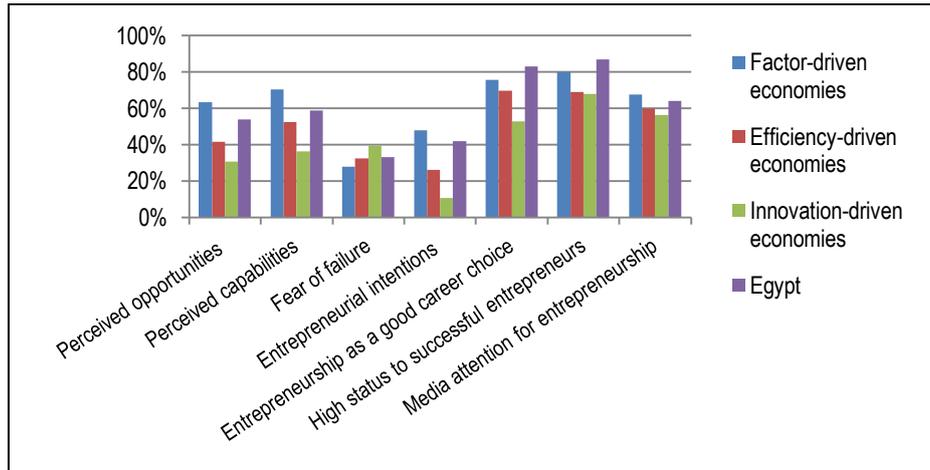
\* Fear of failure assessed for those seeing opportunities

\*\* Intentions assessed among nonentrepreneur population

+ These questions were optional and therefore not included by all economies

Entrepreneurship is defined as an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services and ways of organizing, markets, processes, and raw material through efforts that previously had not existed. Opportunity recognition is in the heart of entrepreneurial process and shapes the individuals' decision to start a business. In Egypt 54% of the adult population saw a good opportunity to start a business in the coming six months, placing Egypt in a rank higher than most efficiency and innovation driven economies (Figure 4). Another factor that has an impact on the individual's decision to start a business is the fear of failure. Fear of failure is defined as the feeling that leaves a person discouraged in attempting an act<sup>iii</sup>. Due to the high levels of risk and uncertainty embedded in entrepreneurship activities, if the individual is risk averse then the chances of starting a business are low. In Egypt, only 33% of those who perceived an opportunity to start a business indicated that fear of failure would stop them from starting their own businesses; this suggests that Egyptians' level of fear of failure is low compared to other economies placing the country in a stronger position. One of factors affecting fear of failure is the degree of confidence in the perceived capabilities, the higher the self-confidence in one's skills, knowledge and ability to perform an action, the lower the fear. This can be witnessed in Egypt, where 59% of respondents in 2012 displayed confidence in their capabilities to start a business, thus explaining the low fear of failure.

**Figure 4 Entrepreneurial Attitude Averages by Economic Development Level – 2012**



Source: Global Entrepreneurship Monitor, APS 2012

The survey asked the non-entrepreneurs whether they had any intention to be involved in any entrepreneurial act in the near future; respondents from innovation driven economies were the least inclined to be entrepreneurially active, followed by efficiency-driven economies. In Egypt, 42% of non-entrepreneurs participants confirmed their intention to start a business of their own; placing the country among countries of high entrepreneurial intentions among its citizens (Figure 4).

The other set of variables impacting on entrepreneurial attitudes is the societal beliefs or the person’s own perception and estimate of the social pressure to perform, or not perform, entrepreneurially. These perceptions assess the visibility and attractiveness of entrepreneurship. In Egypt, entrepreneurship is found to be visible and attractive, where 83% of the adult population believes that starting a business is considered as a good career choice, 87% of adults indicated that they attribute a high status to persons growing a successful new business and 64% said that there is enough media attention and coverage of entrepreneurs and their entrepreneurial activities. This positive perception of entrepreneurship positions the country ahead of most of countries participating in the GEM 2012 cycle, and especially the innovation and efficiency driven economies.

It is interesting to compare entrepreneurial attitudes of the Egyptians between 2012, 2010 and 2008 cycles (Table 3).

**Table 3 Entrepreneurial Attitudes and Perceptions in Egypt**

	2008	2010	2012
Perceived opportunities	40%	39%	54% ↑
Perceived capabilities	53%	63%	59% ↓
Fear of failure	25%	25%	33% ↑
Entrepreneurial intentions	35%	24%	42% ↑
Entrepreneurship as a good career choice	73%	78%	83% ↑
High status to successful entrepreneurs	NA	90%	87% ↓
Media attention for entrepreneurship	57%	71%	64% ↓

This comparison reveals that fear of failure was highest in 2012; an expected rise due to the transition period the country was passing through post revolution<sup>viii</sup>, although the foreseen good opportunities for starting a business in the next 6 months has increased noticeably; from around 40% in 2010 and 2008 to 54% in 2012, however, adults were less confident in their capabilities to manage and run a business

in 2012 compared to 2010. While the intention to start businesses among the non-entrepreneurs has increased significantly from 24% in 2010 to 42% in 2012. Another positive change was in seeing entrepreneurship as a good career choice, from 77% in 2010, 73% in 2008 to 83% in 2012. However, there was less media attention in 2012 compared to 2010.

Figures show that Egyptians have a positive attitude towards entrepreneurship, despite the challenges facing the country post revolution and the economic slowdown<sup>2</sup>, implying that further and formalised attention has to be given to entrepreneurship to play its role as one of the key drivers of the economic and social development.

### ***Early-Stage Entrepreneurial Activity Prevalence Rates in Egypt***

The early-stage entrepreneurial activity (TEA) prevalence rate of the Egyptian adult population (proportion of people aged 18-64 who are involved in entrepreneurial activity as a nascent entrepreneur and/or as an owner-manager of a new business) is 7.84%. TEA is a combination of nascent entrepreneurs and new business owners, meaning that 7.84% of adults in Egypt are either nascent entrepreneurs who are actively trying to start a business (3.1%) or own/manage a new business that is between four and 42 months old (4.87%). Although the percentage of early stage entrepreneurs is low, it is worth noting that the percentage of new firm entrepreneurs is higher than that of nascent entrepreneurs, indicating that more entrepreneurs succeed at gathering the required resources to start the business and manage to take it from the conception phase to birth phase.

Extrapolated to the total population, an estimate of 3.6 million Egyptians are involved in early stage entrepreneurial activity, with 1.4 million Egyptians classified as nascent entrepreneurs and 2.2 million already started and running a new business. In addition, 4.15% of the adult population owns and manages an established business that has been in existence for more than 42 months or an estimate of 1.9 million Egyptians of the total population. Thus, the Overall Entrepreneurial Activity rate is 11.5%; indicating that 11.5% of adults in Egypt in 2012 were either actively trying to start a new business or owning a young or established business; or an estimate of 5.5 million Egyptians. Compared to 2010, a slight increase (1.5%) in the level of overall entrepreneurship activity rate is observed.

On average, 1.93 adults are involved in the start-up of each nascent enterprise, and 2.11 adults in the ownership of each new firm that is less than 42 months old. This suggests that the 1.4 million nascent entrepreneurs were trying to start 727,000 new enterprises in 2012; while the 2.2 million new firm entrepreneurs owned and managed 1.05 million new enterprises. The majority of nascent and new firm entrepreneurs are developing their enterprises by themselves; 53.4% and 66.7% respectively indicated that they are (to be) operating as solo entrepreneurs. An estimate of 35% of nascent entrepreneurs indicated that they will be working in teams of two or three persons compared to 22.5% of new firm entrepreneurs.

Table 4 shows the key entrepreneurial activity rate indicators across the 69 countries, which are the TEA rate, the established business ownership rate, the discontinuation of businesses rate, the necessity-driven (as a percentage of TEA) and Improvement-driven opportunity (as a percentage of TEA) organised into the three economic levels of development.

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<sup>2</sup> Data was collected between June and August 2012.

**Table 4 Entrepreneurial Activity in the GEM Economies, by Phase of Economic Development, 2012**

Country	Nascent entrepreneur ship rate	New business ownership rate	Early-stage entrepreneurial activity (TEA)	Established business ownership rate	Discontinuation of businesses	Necessity-driven (% of TEA)	Improvement-driven opportunity (% of TEA)
<b>Factor Driven Economies</b>							
Algeria	1.62	7.25	8.75	3.32	6.93	29.96	47.42
Angola	14.89	18.88	32.39	9.06	25.86	23.75	38.26
Botswana	17.04	12.24	27.66	6.33	16.26	33.41	47.97
<b>Egypt</b>	<b>3.10</b>	<b>4.87</b>	<b>7.82</b>	<b>4.15</b>	<b>5.28</b>	<b>33.58</b>	<b>22.90</b>
Ethiopia	5.70	9.25	14.73	10.20	3.40	20.35	69.22
Ghana	15.42	22.78	36.52	37.74	16.24	27.56	50.97
Iran	4.47	6.48	10.79	9.53	5.05	41.96	36.20
Malawi	18.45	20.39	35.56	10.80	28.91	41.92	42.87
Nigeria	21.77	14.19	35.04	15.67	8.31	34.54	53.22
Pakistan	8.29	3.42	11.57	3.78	2.53	52.95	23.56
Palestine	6.22	3.81	9.84	2.98	7.73	41.91	26.58
Uganda	9.58	27.56	35.76	31.25	25.92	46.00	42.11
Zambia	27.50	14.57	41.46	3.84	20.23	32.00	46.24
<b>Efficiency Driven Economies</b>							
Argentina	11.79	7.30	18.88	9.63	4.92	34.54	46.61
Barbados	9.98	7.23	17.12	12.23	2.87	12.42	62.68
Bosnia and Herzegovina	4.51	3.35	7.78	6.00	7.19	58.33	20.14
Brazil	4.48	11.30	15.44	15.19	4.51	30.13	58.83
Chile	14.68	8.43	22.58	7.77	4.97	17.40	68.87
China	5.45	7.43	12.83	12.45	3.73	36.88	39.37
Colombia	13.58	6.86	20.11	6.72	6.74	12.42	47.83
Costa Rica	10.00	5.34	15.04	3.33	3.49	20.20	47.88
Croatia	6.38	1.89	8.27	3.06	4.24	34.23	35.68
Ecuador	16.72	11.68	26.61	18.92	7.59	35.83	30.21
El Salvador	7.69	7.79	15.26	9.39	7.83	35.24	39.22
Estonia	9.46	5.09	14.26	7.24	3.96	18.22	49.10
Hungary	5.83	3.59	9.22	8.10	3.77	31.13	35.27
Latvia	8.71	4.82	13.39	7.93	3.39	25.26	46.02
Lithuania	3.15	3.64	6.69	8.24	2.20	24.63	51.49
Macedonia	3.73	3.25	6.97	6.73	3.86	51.95	28.73
Malaysia	2.79	4.20	6.99	6.96	1.62	13.32	60.70
Mexico	7.94	4.28	12.11	4.67	4.31	13.44	51.82
Namibia	11.30	7.00	18.15	3.17	11.59	37.25	36.79
Panama	7.21	2.69	9.46	1.86	1.82	19.49	56.76
Peru	14.67	6.22	20.21	5.10	6.75	23.42	53.13
Poland	4.83	4.55	9.36	5.81	3.89	40.71	30.13
Romania	5.51	3.83	9.22	3.91	3.81	24.19	37.70
Russia	2.65	1.80	4.34	2.05	1.00	36.40	31.40
South Africa	4.30	3.08	7.32	2.32	5.03	31.67	39.74
Thailand	8.74	11.32	18.94	29.69	2.78	16.69	67.40
Trinidad & Tobago	8.76	6.52	14.96	7.19	4.50	15.09	59.88
Tunisia	2.38	2.48	4.78	4.37	3.98	35.47	42.29
Turkey	7.25	5.36	12.22	8.68	5.24	30.88	54.57
Uruguay	10.18	4.71	14.63	4.97	4.99	18.38	39.85

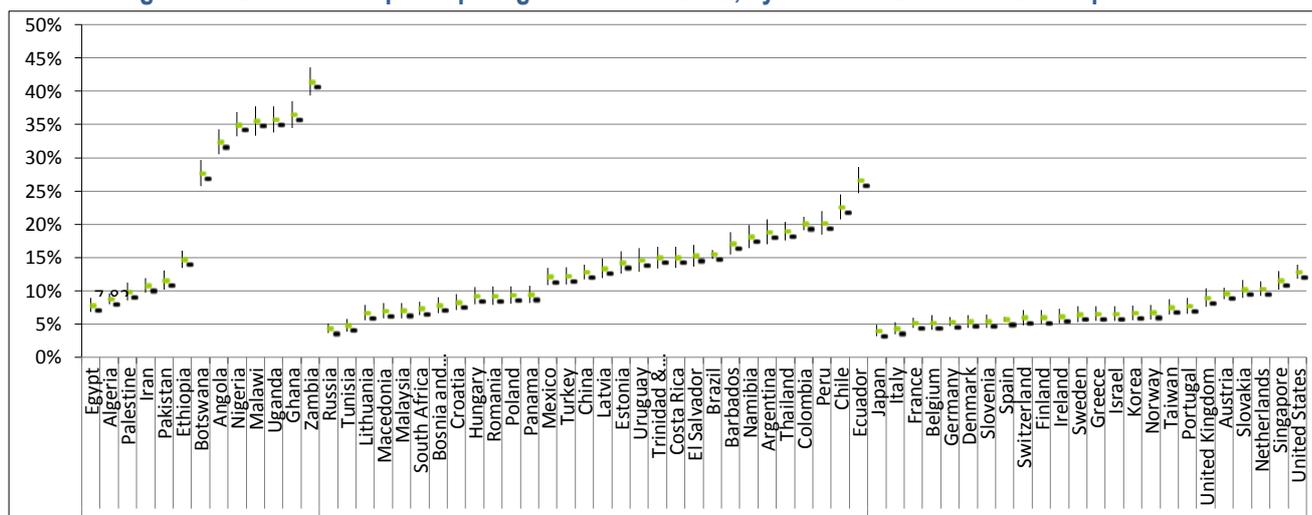
Innovation Driven Economies							
Austria	6.58	3.42	9.58	7.61	3.56	10.81	38.20
Belgium	3.32	1.95	5.20	5.12	2.39	17.91	61.56
Denmark	3.07	2.36	5.36	3.45	1.34	8.24	70.65
Finland	3.45	2.68	5.98	8.04	1.99	17.10	59.88
France	3.74	1.54	5.17	3.23	1.96	18.14	58.94
Germany	3.51	2.15	5.34	4.95	1.91	21.68	50.74
Greece	3.82	2.84	6.51	12.27	4.43	29.94	32.11
Ireland	3.91	2.28	6.15	8.32	1.74	28.14	40.52
Israel	3.50	3.03	6.53	3.78	4.04	19.17	46.13
Italy	2.47	1.92	4.32	3.32	2.43	15.74	22.30
Japan	2.26	1.72	3.99	6.11	1.12	20.72	66.41
Korea	2.56	4.08	6.64	9.57	3.17	34.89	46.17
Netherlands	4.08	6.26	10.31	9.49	2.17	8.44	66.35
Norway	3.70	3.15	6.75	5.75	1.45	7.41	69.63
Portugal	4.26	3.63	7.67	6.23	2.98	17.86	53.08
Singapore	7.60	4.18	11.56	3.10	3.88	14.77	54.45
Slovakia	6.65	3.91	10.22	6.38	4.69	35.57	42.88
Slovenia	2.95	2.53	5.42	5.79	1.62	7.36	64.02
Spain	3.35	2.45	5.70	8.74	2.11	25.59	32.51
Sweden	4.59	1.85	6.44	5.25	1.86	6.84	48.59
Switzerland	2.90	3.03	5.93	8.44	2.02	18.08	57.46
Taiwan	3.33	4.21	7.54	10.38	5.67	17.93	42.60
United Kingdom	5.30	3.74	8.98	6.16	1.69	18.30	42.61
United States	8.86	4.08	12.84	8.56	4.49	21.35	59.45

Source: Global Entrepreneurship Monitor, 2012 Global Report.

The comparison of the key entrepreneurial activity rate indicators for the GEM 2012 economies reveals significant variation in level of entrepreneurship, from as low as 3.99% in the case of Japan, an innovation-driven economy, to as high as 41.1% in the case of Zambia, a factor-driven economy. Egypt ranks last among the factor-driven economies on the early-stage TEA rate (third column), but it ranks 42<sup>nd</sup> among the 69 countries and the 3<sup>rd</sup> among the Middle East and North African countries participating in the GEM 2012 cycle after Algeria and Palestine.

Although the innovation-driven economies are characterised by quality jobs, wage, income growth and innovation (e.g., patents, commercialization, start-ups, etc.)<sup>x</sup>, TEA is lower in these economies compared to economies of lower levels of economic development, with highest rates of TEA witnessed in factor-driven economies (Figure 5). In countries with low levels of per capita income, the national economy is characterised by the prevalence of many micro businesses. As per capita income increases, industrialisation and economies of scale allow larger and established firms to increase their relative role in the economy as they satisfy the growing market demand. The increasing role of large firms may be accompanied by a reduction in the number of new businesses, since a growing number of people are able to find stable employment in large industrial plants. Thus, for countries with low levels of per capita income, a decreasing prevalence rate of entrepreneurial activity may be a good sign, especially if this is accompanied by economic growth and political stability. As further increases in income are experienced, the role played by the entrepreneurial sector may increase, as more individuals can access the resources to go into business for themselves in an economic environment that allows the exploitation of opportunities.

**Figure 5 TEA Rates for participating countries in 2012, by Phase of Economic Development**



Source: Global Entrepreneurship Monitor, 2012 Global Report.

\* At 95% Confidence intervals

Another indicator of the entrepreneurial activity rate in a country is the established business ownership rate, or the percentage of the adult population which is the owner/manager of a business that is older than 42 months. When this rate is high, it is an indicator that the country is encouraging, fostering and developing businesses, through regulations, programmes, and other means of support that lead to the growth of the businesses. In turn, when businesses grow they become increasingly vital to economic development and job creation. In Egypt the rate of established businesses is 4.15%, which is, as in other developing countries less than the early stage TEA rate. It is either the country is not providing enough support to the business owners to grow their businesses or individuals start a business for certain time period and then discontinue their businesses.

### **Business Discontinuances**

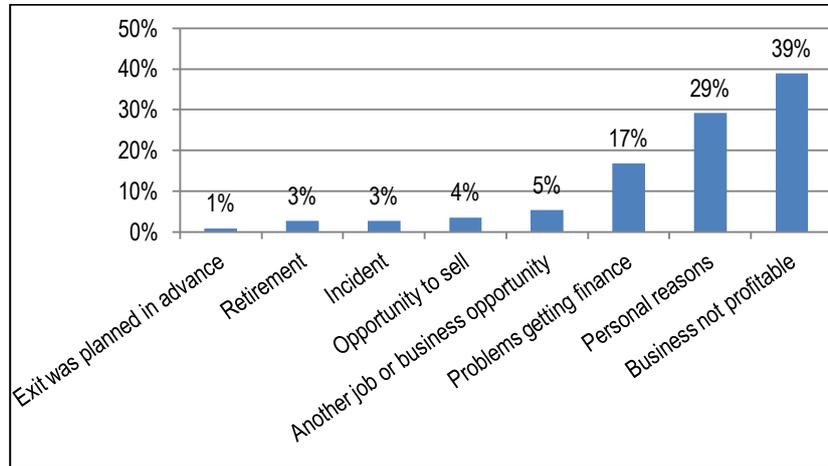
Another important indicator of entrepreneurial dynamism in an economy is the rate of business discontinuance. Business discontinuance is described as a business owner's act of discontinuing business processes either permanently or temporarily; it usually declines as economic development increases. GEM attempted to identify the rate of discontinuances and reasons leading to this action. Respondents were asked if they have owned a business in the past in which they are no longer active, why they made the decision to discontinue their involvement in the business as well as whether that business is still active or not.

In Egypt, 5.28% of entrepreneurs (including nascent entrepreneurs, new or established business owners) owned an enterprise in which they are no longer active. Although this percentage places the country among the countries with lower discontinuance rates, contrary to the rest of factor-driven economies, when compared to the TEA rate, it is high. However, in 35% of the Egyptian cases, the business continued to operate with a new owner-manager and in 1.4% of cases, the business continued but its activities have changed.

There are different reasons for Egyptian entrepreneurs to exit from the business (Figure 6), but the three main reasons to discontinue the business are: it was not profitable (39%), personal reasons (29%)

and problems attaining finance (17%). Other reasons include finding another job or business opportunity (5%), opportunity to sell (4%), due to an incident (3%), retirement (3%) and exit was planned in advance (1%).

**Figure 6 Reasons for Business Discontinuance, Egypt - 2012**

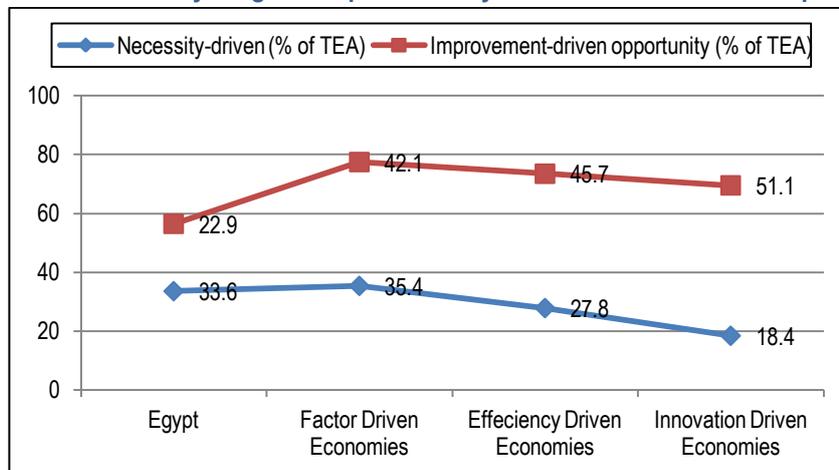


Source: GEM APS Egypt, 2012.

### **Motives for Becoming an Entrepreneur**

It is believed that people are either pushed into entrepreneurship by negative situational factors, such as lack of suitable employment or source of income, or pulled into entrepreneurship because of the existence of attractive, potentially profitable business opportunities. Thus people are motivated to pursue entrepreneurship driven either by necessity “push” or opportunity “pull”. The necessity entrepreneurs may never have considered starting or owning a business until there was no other option<sup>x</sup> and are more prevalent in low income, poorer countries, contrary to opportunity entrepreneurs who are more common in richer, developed countries. Factor driven economies tend to have higher rates of necessity driven entrepreneurship compared to rates of opportunity driven entrepreneurship than efficiency and innovation driven economies (Figure 7). Table 4 presented the share of opportunity and necessity entrepreneurship in TEA rates for all GEM countries.

**Figure 7 Motives of Early Stage Entrepreneurs- by Level of Economic Development, 2012**



Source: Global Entrepreneurship Monitor, 2012.

The main motive for starting a business for Egyptian early stage entrepreneurs was out of necessity, whereas 34% reported that their involvement is based on necessity motives, while 23% said that the main reason for them was to pursue a market opportunity (Figure 7 and Table 4). This is expected for a developing country. Normally, a large proportion of people in developing countries become entrepreneurs because they have no other choice due to a lack of employment alternatives and social safety nets, few resources, and the need to improve life conditions and alleviate poverty. Additionally, due to 25<sup>th</sup> of January revolution (the next subsection discusses in more details its impact on the entrepreneurial activity in the country), the country faced many challenges and that period was characterised by economic slowdown reflected in higher levels of unemployment, with a national sentiment to support small local businesses, pushed many individuals to start their own businesses to support themselves and families.

Table 5 summarizes the changes in entrepreneurship in Egypt over the three cycles in which the country has participated in. The rate of entrepreneurially active adults in 2008 cycle was the highest; 2010 and 2012 cycles have witnessed decline in entrepreneurship, however, 2012 rates were better than those of 2010. The percentage of opportunity driven entrepreneurs (as a % of TEA) was the lowest in 2012.

**Table 5 Egypt Entrepreneurship Rates across Three Cycles**

GEM Category	2008	2010	2012
TEA rate	13.1%	7.0%	7.8%
Nascent Entrepreneurs	7.9%	2.1%	3.1%
New Firm Entrepreneurs	5.5%	4.9%	4.9%
Established Business Owners	8.8%	4.5%	4.1%
Business Discontinuance Rate	6.3%	3.8%	5.3%
Necessity-driven (% of TEA)	23%	53.0%	33.6%
Improvement-driven opportunity (% of TEA)	40%	25.2%	22.9%

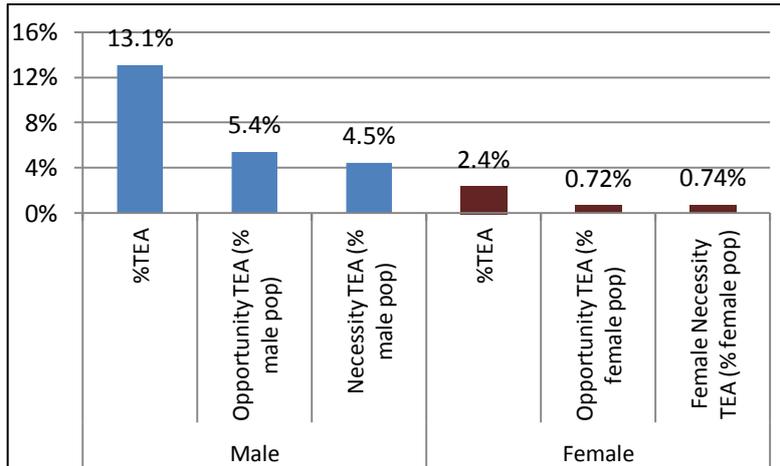
## ***Demographics and Entrepreneurial Activity in Egypt***

The following subsections profile the entrepreneurial active adults in Egypt, in terms of their gender, age, education attainment, household income, labour force status and area of residence.

### ***Gender and Entrepreneurial Activity***

Despite the efforts exerted to encourage Egyptian women to start and own businesses, their participation in entrepreneurship remains lower than expected; not only this but the difference between the two genders is significant. The early-stage entrepreneurial activity (TEA) prevalence rate for men is 13.1% while the TEA for women is 2.4% (figure 8). On an absolute basis, men make up around 86 % of early-stage entrepreneurs in Egypt, and women comprise the remaining 14%. Compared to the previous cycles (2010 and 2008), 2012 cycle is recording the lowest rates of entrepreneurial women in Egypt (the TEA rates were 6% and 4.4%, respectively; the share of women in the total entrepreneurs in the country was 35% and 20%, respectively). The percentage of entrepreneurial men has increased between 2012 and 2010, from 65% to 86%. The main motive for men to become entrepreneurs is to pursue a market opportunity (5.4%) rather than out of necessity (4.5%). For women, there is no difference between opportunity and necessity motives.

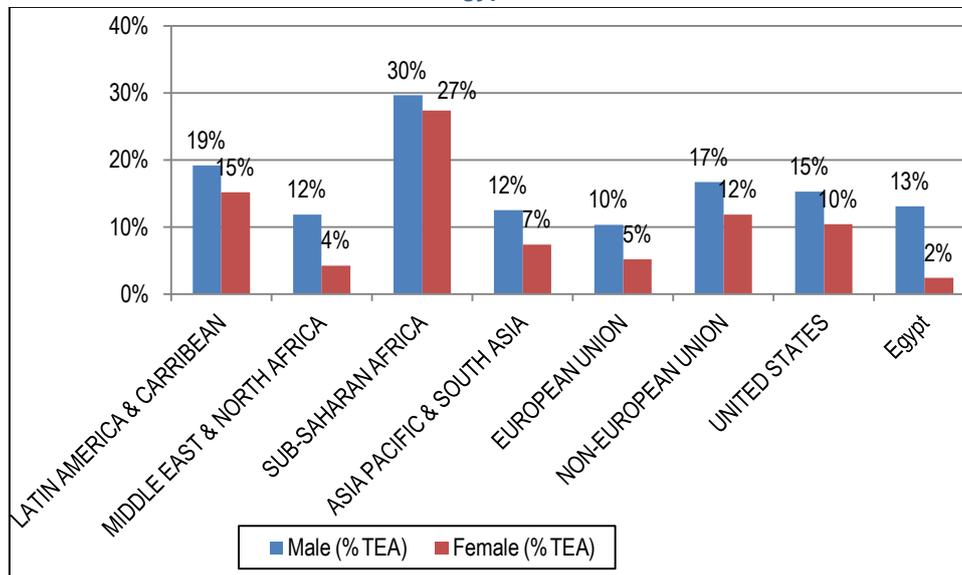
**Figure 8 Opportunity and Necessity TEA Rates - Total, Men, Women – Egypt, 2012**



Source: GEM APS Egypt, 2012.

Across regions, a gender gap between men and women TEA rates exists (Figure 9); whereas men are more entrepreneurially active than women in all economies. This gap exists for several reasons; for example, the cultural perception of women working and owning business and the fewer opportunities available for women to develop the experience needed to engage in entrepreneurship. Relative to other regions, Egypt has the highest gender gap, even when compared to other Middle East and North Africa countries.

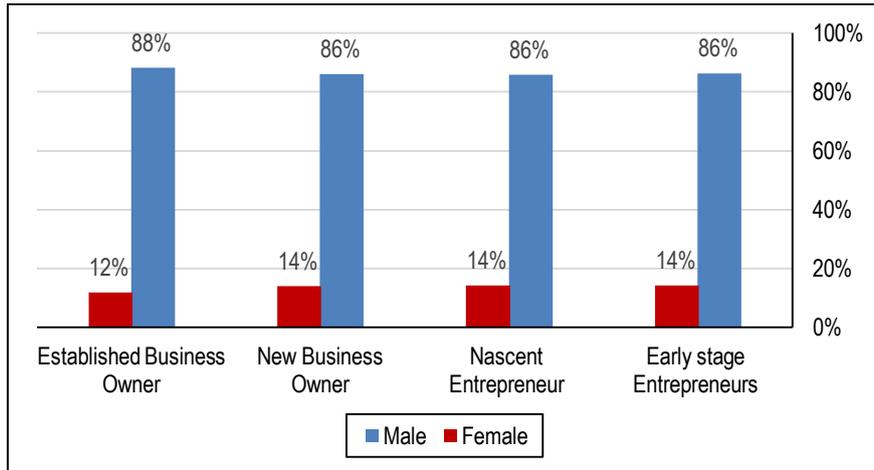
**Figure 9 Average Early-Stage Entrepreneurial Activity Rates by Gender and Geographic Regions and Egypt - 2012**



Source: GEM Global APS 2012.

Furthermore, the distribution of entrepreneurially active adults in Egypt shows that women are less entrepreneurially active compared to men across the different phases of the entrepreneurship process (Figure 10). Their share in the ownership of established businesses is the lowest indicating that women are not always capable of growing their businesses beyond the first 3.5 years of starting the business.

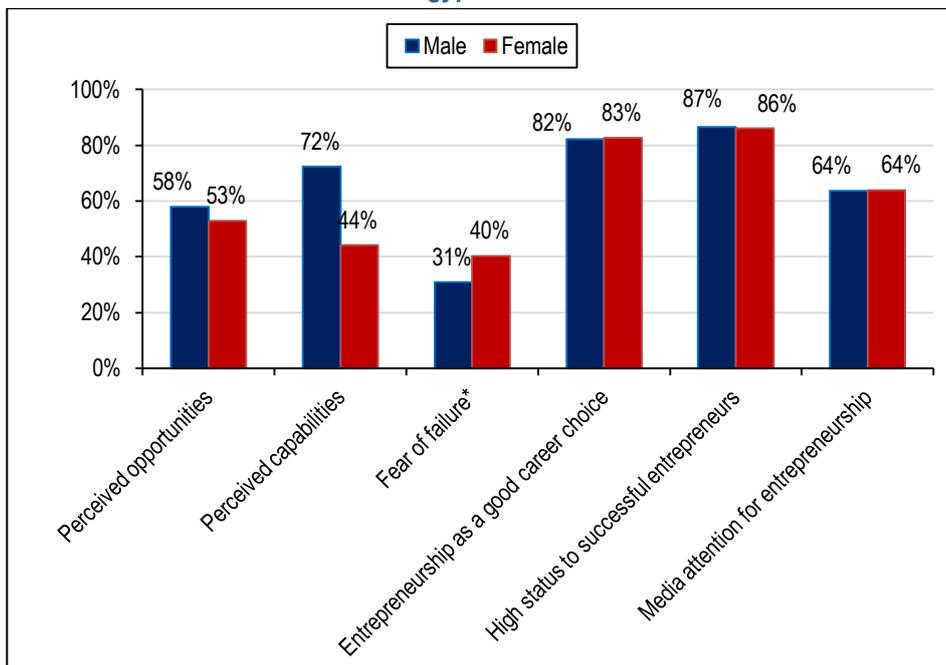
**Figure 10 Distribution of Entrepreneurially Active Adults by Gender, Egypt - 2012**



Source: GEM APS Egypt, 2012.

Investigating the entrepreneurial attitudes and perceptions of Egyptian adults participating in the 2012 cycle shows that both men and women have close views of entrepreneurship (Figure 11), except in the level of fear of failure and perceived capabilities. Women's positive perception of entrepreneurship is undermined by their high fear of failure which would stop them from starting their own business and lack of confidence in their skills, knowledge and experience required to start a business

**Figure 11 Entrepreneurial Attitudes and Perceptions of Early Stage Entrepreneurs, by Gender, Egypt - 2012**



Source: GEM APS Egypt, 2012.

\* Fear of failure assessed for those seeing opportunities

Fear and failure and lack of the required skills and knowledge in starting the business, along with the status of the country over the 15 months of revolution (between 25<sup>th</sup> of January 2011 and the data collection process), could justify the low levels of entrepreneurship among Egyptian women; however, this remains one of challenges in New Egypt; women have to be a more active player in the entrepreneurial process.

## Age and Entrepreneurial Activity

Each year, many individuals globally, turn to entrepreneurship; despite of their age. The cross-national comparison of the GEM 2012 economies reveals that the most entrepreneurially active age groups are 25-34 years of age (Table 6), followed by the 35-44 age group, then by the 45-54 age group (respectively). It is expected that the rates of entrepreneurship to be high among individuals of these age categories, as they have completed their studies, developed some working skills, established contacts and saved money; or in other words, they have accumulated the basic resources needed to start a business. The youngest age group (18-24 years) and the oldest age group (55-64) are also entrepreneurially active but with lower rates than other age groups.

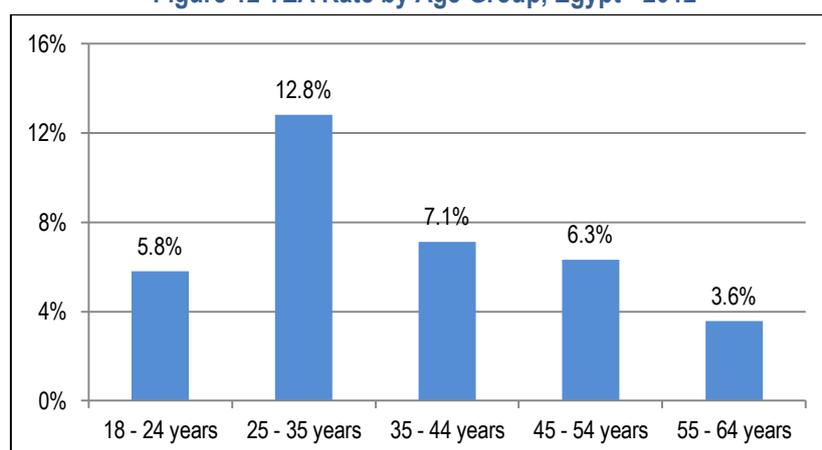
**Table 6 Early-Stage TEA Rates by Age Group and Phase of Development, 2012**

Economy	18 – 24 years	25 – 34 years	35 – 44 years	45 - 54 years	55 - 64 years
Latin America & Caribbean	14%	21%	19%	16%	11%
Middle East & North Africa	6%	11%	9%	6%	4%
Sub-Saharan Africa	24%	34%	31%	26%	20%
Asia Pacific & South Asia	8%	13%	12%	9%	7%
European Union	7%	11%	9%	7%	4%
Non-European Union	6%	10%	9%	6%	4%
United States	10%	14%	16%	12%	10%
<b>Egypt</b>	<b>6%</b>	<b>13%</b>	<b>7%</b>	<b>6%</b>	<b>4%</b>

Source: Global Entrepreneurship Monitor, 2012 Global Report

In Egypt, this pattern is also evident. The TEA rate is highest in the 25-35 age group and is 12.8% (Table 6 and Figure 12), followed by 35-44 and 45-55 age groups with TEA rates of 7.1% and 6.3% respectively. The youngest group follows in the ranking with a TEA of 5.8% and then last is the older age category of 55-64 years of age with a TEA of 3.6%.

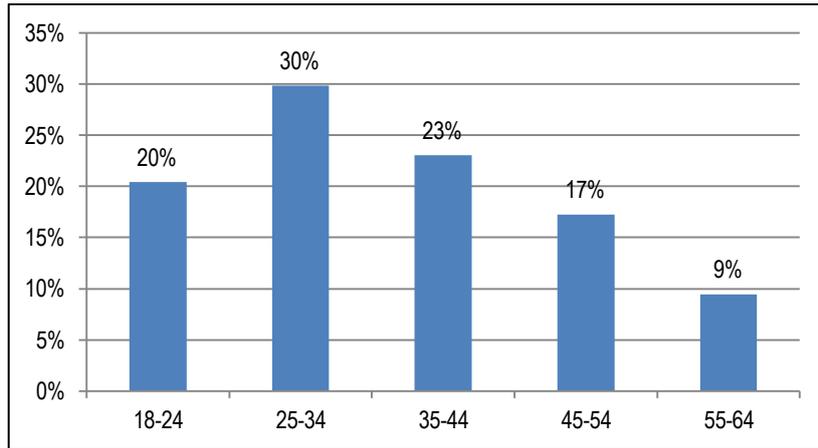
**Figure 12 TEA Rate by Age Group, Egypt - 2012**



Source: GEM APS Egypt, 2012.

In terms of actual numbers, almost half of early stage entrepreneurs are between 25 and 44 years old (Figure 13). Although the youngest category ranks 4<sup>th</sup> in terms of TEA rates, but they comprise 20% of Egyptian entrepreneurs or one fifth of entrepreneurs in Egypt while the older entrepreneurs (45-54 and 55-64 years old) comprise, together, almost quarter of early stage entrepreneurs in Egypt.

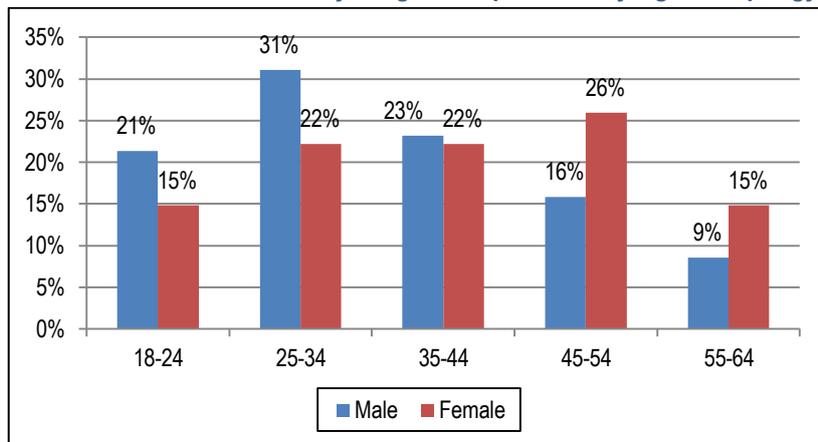
**Figure 13 Age Distribution of Early-Stage Entrepreneurs, Egypt - 2012**



Source: GEM APS Egypt, 2012.

Some gender differences can be noticed among the different age groups (figure 14). Women who are 45-54 years old are the most active in attempting to start a business or who are already owner/manager of a new business that is less than 42 months, compared to other age categories, while women who are aged 18-24 and 55-64 are the least entrepreneurially active. Regarding men early stage entrepreneurs, those who are 25-34 years old are the most entrepreneurially active, whereas men in age category 55-64 are the least inclined to be involved in any entrepreneurial act.

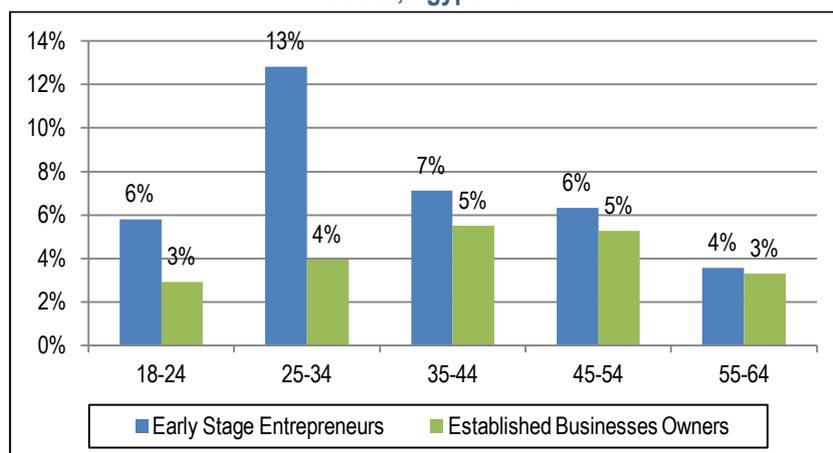
**Figure 14 Male-Female Share of Early-Stage Entrepreneurs by Age Group, Egypt - 2012**



Source: GEM APS Egypt, 2012.

The comparison between the entrepreneurial prevalence rates in the different age groups across the phases of entrepreneurial activity (Figure 15) shows some differences. The early stage entrepreneurial prevalence rate is highest in age group 25-34 followed by age group 35-44 with a TEA rate of 7.1% and the lowest TEA rate is among the oldest age group 55-64 (3.6%). Regarding at the established business owners, the highest rate is seen in the older groups, 35-44 and 45-53, where the rates are 5.5% and 5.3% respectively, while the lowest rate of established businesses ownership is in the youngest group of 18-24.

**Figure 15 Entrepreneurial Prevalence Rates by Age Group and Phase of Entrepreneurial Process, Egypt - 2012**



Source: GEM APS Egypt, 2012.

The comparison of entrepreneurial attitudes and perceptions between the age groups reveals that the age category 18-24 has the highest level of fear of failure compared to other age categories (Table 7). Although adults at this age category perceive starting a business is a desirable career choice, yet their perception of the existence of opportunities to start a business and their perception of their own skills, knowledge and experience is the lowest compared to other age groups. Generally, the older age groups have a more positive views of entrepreneurship. However, it is interesting to note that the youngest age group 18-24 has the highest intention to start the business in the coming 3 years; while the older the individuals are, the lower is their intention to start a business.

**Table 7 Entrepreneurial Attitudes and Perceptions of Early Stage Entrepreneurs, by Age Group, Egypt - 2012**

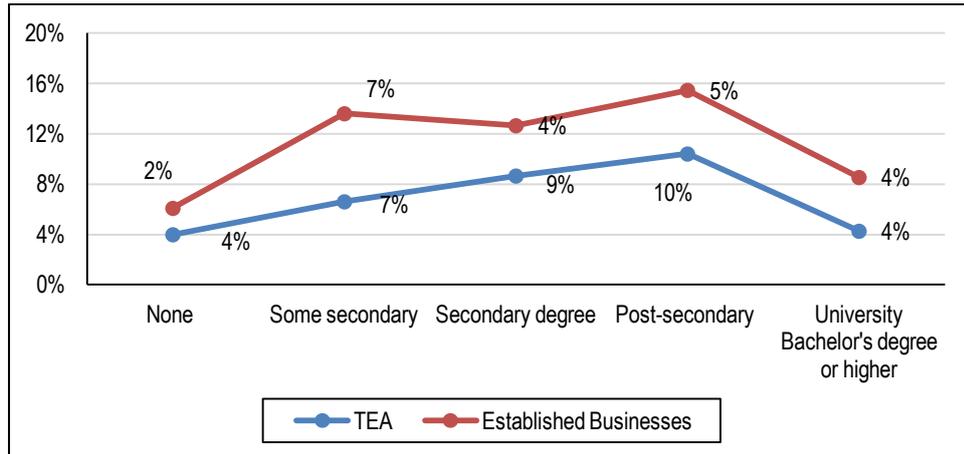
Age Group	Perceived Opportunity	Perceived Capability	Fear of Failure	Desirable Career Choice	Entrepreneurial Intentions
18-24	53.7%	55.8%	41.0%	83.2%	51.8%
25-34	53.8%	63.2%	34.3%	82.4%	44.7%
35-44	54.9%	60.6%	38.0%	84.5%	39.3%
45-54	59.0%	57.9%	33.9%	82.0%	36.5%
55-64	56.6%	55.2%	29.9%	80.3%	25.1%

Source: GEM APS Egypt, 2012.

### **Education and Entrepreneurial Activity**

The level of entrepreneurial activity in Egypt varies according to educational attainment. Overall, the TEA rate is lowest among adults that have not completed elementary education (“none”) and highest among those with a post-secondary education<sup>xi</sup> (4% and 10.4% respectively) (Figure 16). The second highest entrepreneurially active group is the secondary degree holders (8.7%). It is noticeable that the TEA rate among holders of university bachelor’s degrees or higher is low (4.3%). Regarding the established businesses, the highest rates of ownership and management of a 42 months or older business is seen among adults with some secondary education with 7%, followed by adults with post-secondary education (5.1%); while the lowest rate is among adults who have not completed their elementary education (“none”).

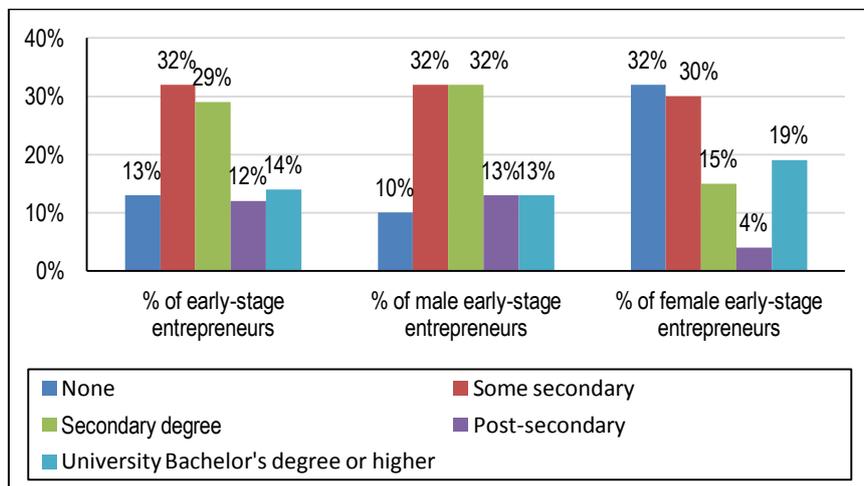
**Figure 16 Prevalence Rates by Educational Attainment and Entrepreneurial Phase – Egypt - 2012**



Source: GEM APS Egypt, 2012.

In terms of actual numbers of early stage entrepreneurs, it is noticed that adults, whether men or women, with some secondary education represent more than 30% of early stage entrepreneurs (Figure 17). Men early stage entrepreneurs with secondary degree represent 32% of all men entrepreneurs. Men who did not complete their elementary education are involved in entrepreneurship but their share is the lowest with 10%. In case of women early stage entrepreneurs, women who did not complete their elementary education and those with some secondary education represent a significant percentage of women entrepreneurs in Egypt (30% each). Women with university bachelor's degree or higher comprise 19% of early stage women entrepreneurs. Lowest involvement in entrepreneurship is witnessed among women with post secondary education.

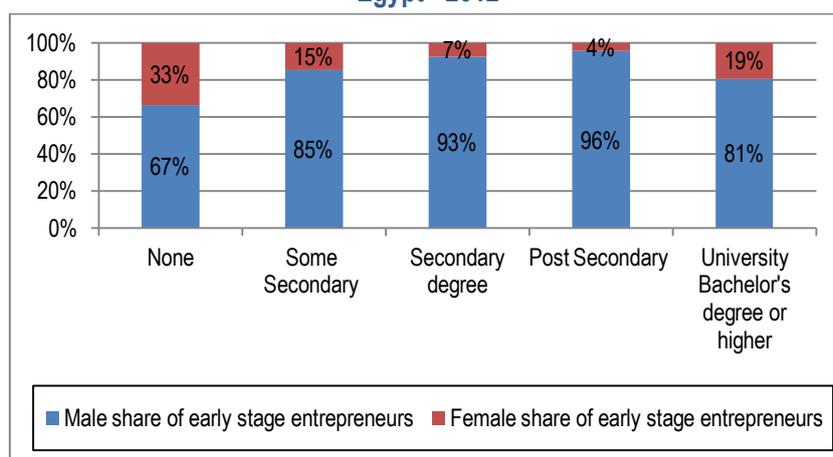
**Figure 17 Distribution of Early-Stage Entrepreneurs by Level of Completed Education – Egypt, 2012**



Source: GEM APS Egypt, 2012.

Women's share of early-stage entrepreneurs is highest in the group with the lowest level of education attainment (33%) followed by university degree holders (Figure 18). Men's share of the early stage entrepreneurs is highest among individuals with post-secondary education, while it is lowest among those who didn't receive any education.

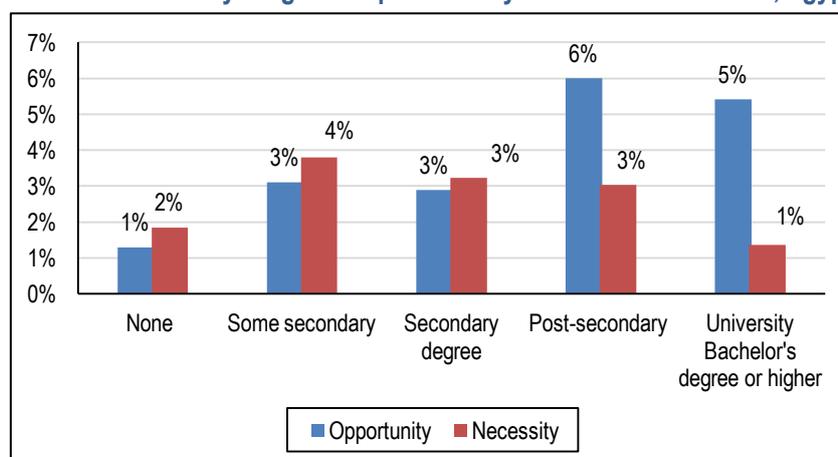
**Figure 18 Men-Women Share of Early-Stage Entrepreneurial Activity by Education Attainment, Egypt - 2012**



Source: GEM APS Egypt, 2012.

Investigating the motives of each group, it is noticeable that at the higher levels of education attainment, the main motive for early stage entrepreneurs is to pursue an opportunity (Figure 19), while at the lower levels of education, the main motive to start a business is the necessity; which is expected, as the adults with low level of educational attainment might not have access to employment opportunities with proper salaries, hence starting a business is the only choice to secure a proper income.

**Figure 19 Motives of Early Stage Entrepreneurs by Education Attainment, Egypt - 2012**

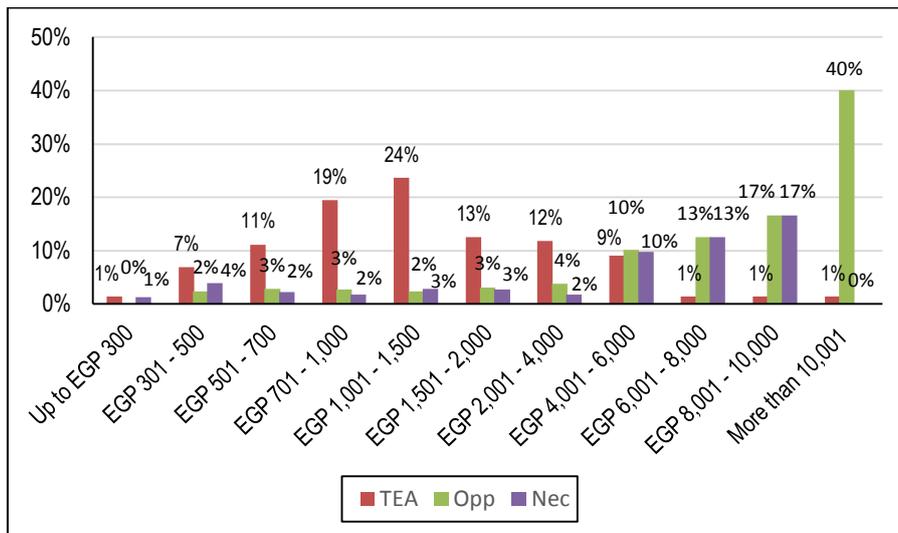


Source: GEM APS Egypt, 2012.

### **Household Income and Entrepreneurial Activity**

Egyptian Early stage entrepreneurs are found at all levels of household income, from as low as less than EGP 300 to as high as more than EGP 10,000 (Figure 20). Adults who earn between EGP 1,000 and 1,500 make up almost 25% of early stage entrepreneurs followed by adults who make EGP 701 – 1,000. Overall, more than 50% of entrepreneurs are found more in low income households and their representation in high income households is minimal. Investigating their motives to be entrepreneurs, shows that necessity is the main motive to start a business at the very low levels of income while opportunity is the main motive of adults with the high level of income.

**Figure 20 Household Income Distribution of Early-Stage Entrepreneurs and Motives, Egypt – 2012**

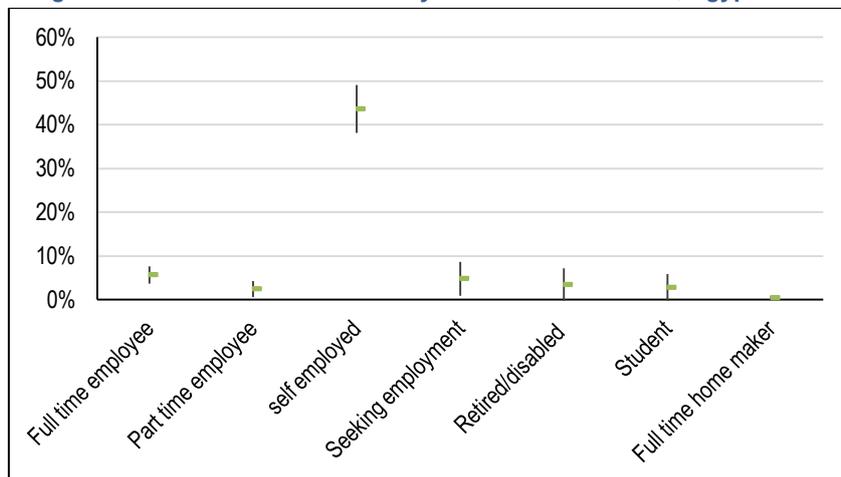


Source: GEM APS Egypt, 2012.

### Labour Force Status and Entrepreneurial Activity

Entrepreneurial activity rates in Egypt vary considerably among groups with different types of attachment to the labour force (Figure 21). Adults who are self-employed are the most entrepreneurially active; with TEA rates more than 40%, the second highest TEA rate is among adults who are working as full time employees with TEA rate of 6% followed by adults who are seeking employment with TEA of 5%. The lowest involvement is among adults who are full time home makers.

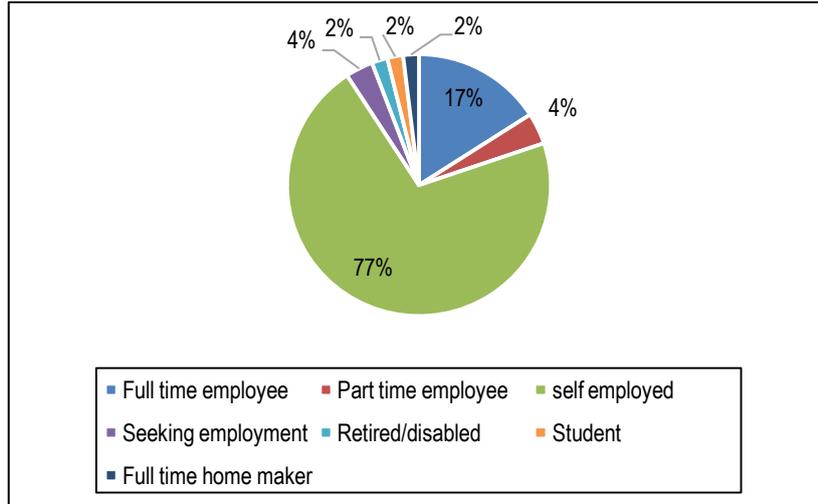
**Figure 21 TEA Prevalence Rates by Labour Force Status, Egypt - 2012**



Source: GEM APS Egypt, 2012.

Figure 22 displays the distribution of early-stage entrepreneurs by labour force status. Over three quarters of the early-stage entrepreneurs are self-employed, followed by full-time employees. In general, involvement in entrepreneurship is low among different sub-groups of the population, implying that if the rates of entrepreneurship are to be improved, policy makers need to target these groups to increase their engagement in entrepreneurial activities.

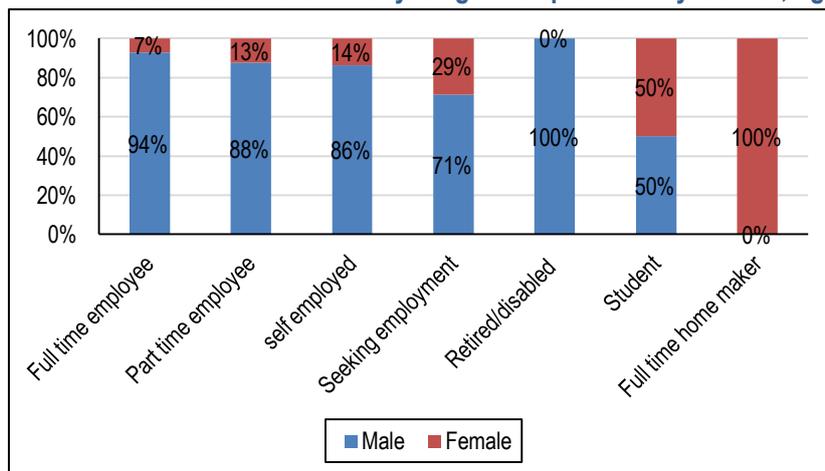
**Figure 22 Labour Force Attachment of Early-Stage Entrepreneurs, Egypt – 2012**



Source: GEM APS Egypt, 2012.

In terms of gender of early stage entrepreneurs and their labour force status, Figure 23 shows that men are the majority in most of cases. When the entrepreneur is a student, both men and women have the same share, while in the case of a full time home maker, all early stage entrepreneurs are women.

**Figure 23 Labour Force Attachment of Early-Stage Entrepreneurs by Gender, Egypt – 2012**

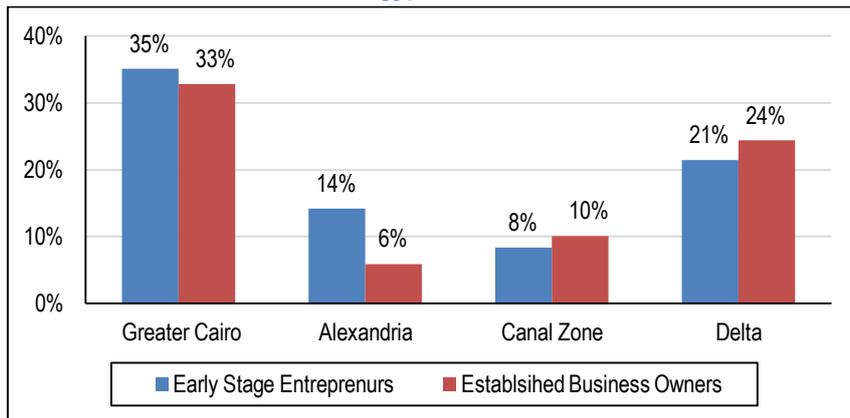


Source: GEM APS Egypt, 2012.

### **Regional Variations and Entrepreneurial Activity**

Entrepreneurs are found across the different regions of Egypt, whether rural or urban; Figure 24 displays the distribution of early stage entrepreneurs and established business owners in five different regions. Greater Cairo has the highest number of early stage entrepreneurs and established business owners. The Delta region ranks second in terms of number of entrepreneurially active adults despite their business phase. It is noticed that the percentage of established business owners is the lowest in Alexandria compared to other regions, in addition to the low number of early stage entrepreneurs, although it is one of major cities in Egypt.

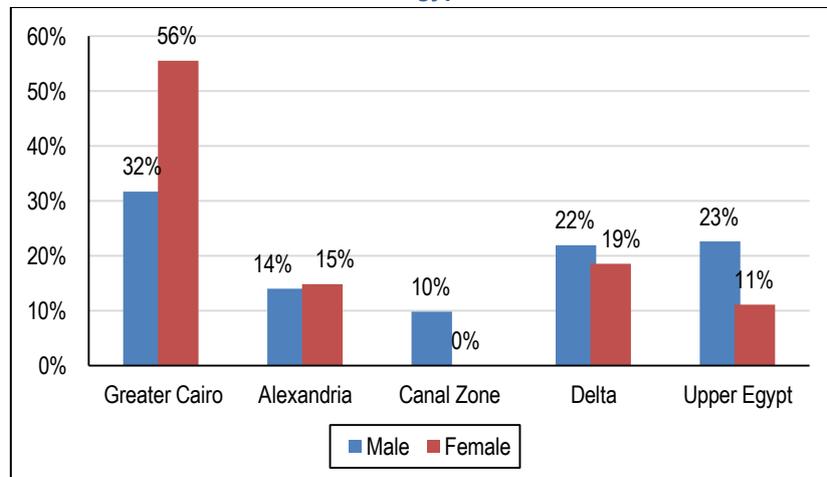
**Figure 24 Distribution of Early Stage Entrepreneurs and Established Businesses by Region, Egypt – 2012**



Source: GEM APS Egypt, 2012.

Investigating further the shares of early stage entrepreneurs in the different regions by gender (Figure 25) shows that the highest share of women entrepreneurs is in Greater Cairo with more than 55%, followed by Delta with 18.5% and Alexandria with 14.8%. It is noticeable that there are no women entrepreneurs in the Canal Zone. Regarding male entrepreneurs, Greater Cairo has the highest share with 31.7% followed by Upper Egypt with 22.6% and Delta with 22%. The lowest share of male entrepreneurs is found in Canal Zone with less than 10%.

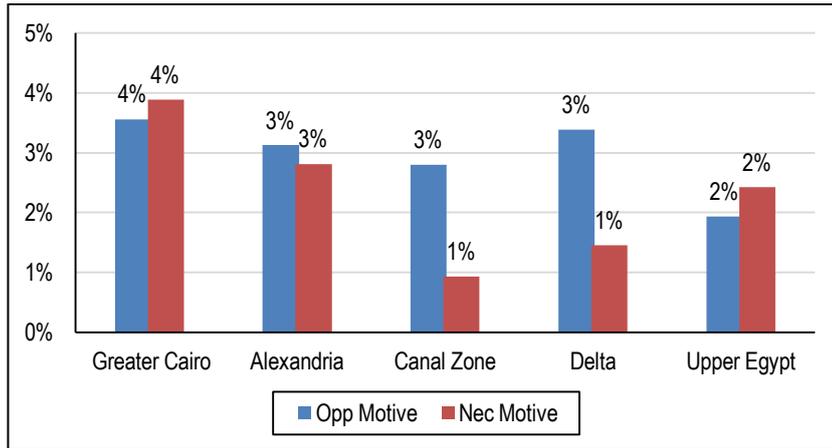
**Figure 25 Distribution of Early Stage Entrepreneurs and Established Businesses by Region and Gender, Egypt – 2012**



Source: GEM APS Egypt, 2012.

In terms of motives of early stage entrepreneurs, it is noticed that the main motive of entrepreneurs in Greater Cairo and Upper Egypt to start a business is necessity (Figure 26), while pursuing an opportunity was the main motive for entrepreneurs to start a business in Alexandria, Delta and Canal Zone. Whereas the gap between opportunity and necessity motives was minimal in three regions, it was noticeable in the case of Delta and Canal Zone.

Figure 26 Motives of Early Stage Entrepreneurs by Region, Egypt - 2012



Source: GEM APS Egypt, 2012.

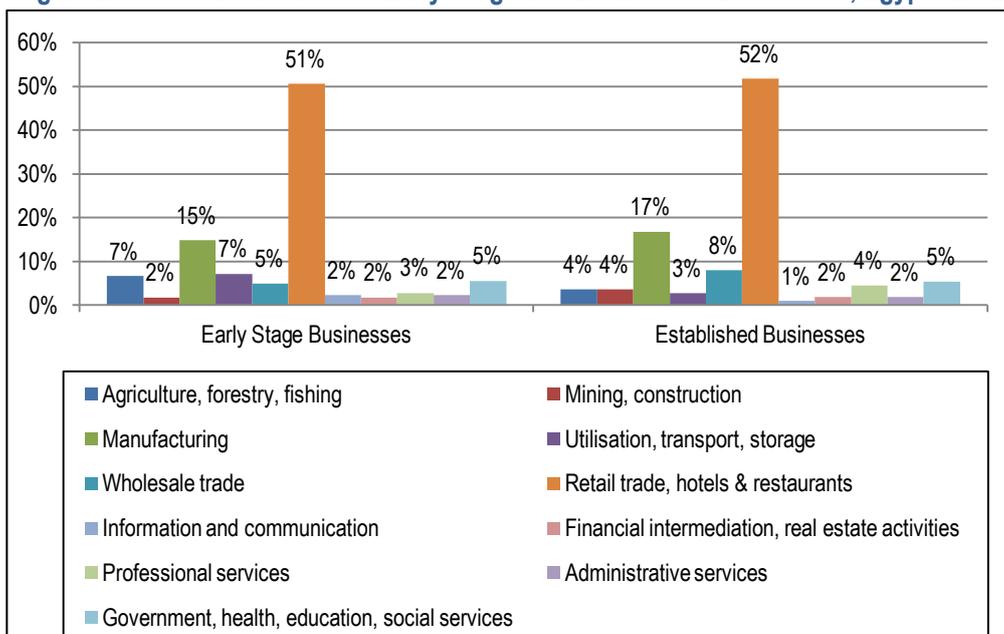
## Characteristics of the Early-Stage and Established Enterprises

In order to complete the profiling of Egyptian entrepreneurs, whether in the process of starting a business (nascent), already started and managing a new business that is less than 3.5 years or owning and managing a business that is more than 3.5 years, the major characteristics of their enterprises should be examined. This section presents findings on enterprise sectors, employment prospects, export orientation, innovation aspects, and growth expectations.

### Enterprise Sectors

The sector distribution of early-stage enterprises is somewhat similar to that of established businesses (Figure 27); more than half of businesses in both phases are more likely to be in the retail trade, hotels and restaurants. This is believed to be due to the large and youthful population, the emergence of a more affluent middle class<sup>xiii</sup> and low barriers to entry. Manufacturing ranks second as a sector of activity among both early-stage enterprises and established businesses with 15% and 17%, respectively. The “agriculture, forestry, fishing” and “utilisation, transport, storage” are the 3<sup>rd</sup> preferred sectors for early stage enterprises, while the wholesale trade ranks 3<sup>rd</sup> for the established businesses.

Figure 27 Sector Distribution of Early-Stage and Established Businesses, Egypt - 2012

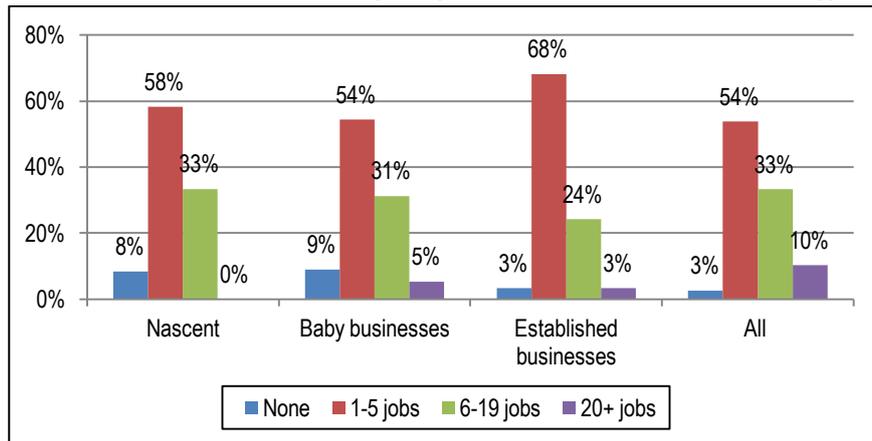


Source: GEM APS Egypt, 2012.

### Employment Prospects

The majority of early-stage and established businesses are very small. Fewer than 5% have more than 20 employees; the vast majority are microenterprises with 1-5 workers (Figure 28). Established businesses are the least likely to employ more than 5 workers, with 68% of these businesses having currently between 1-5 jobs (other than business owners), and 3% including only the business owner, although more than 3.5 years have elapsed since the launch of the business. Nascent and new businesses are somehow larger in terms of number of jobs, with more than 50% having 1-5 jobs and more than 30% employing 6-19 workers.

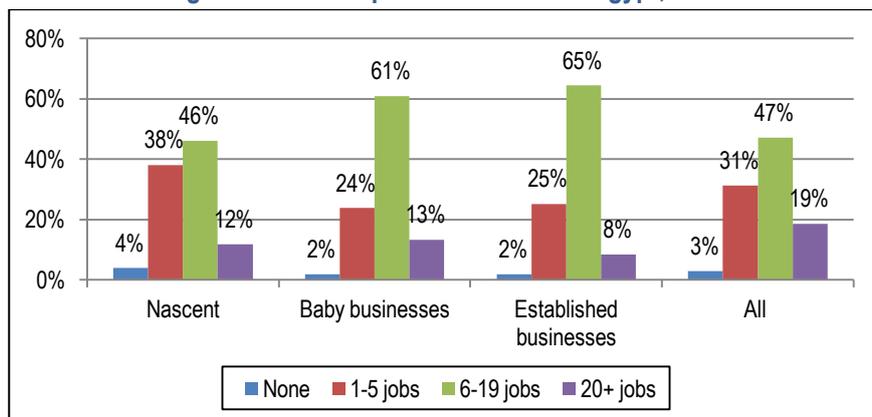
**Figure 28 Current Number of Jobs by Stage of Enterprise Development - Egypt, 2012**



Source: GEM APS Egypt, 2012.

The new firm entrepreneurs appear to be more optimistic about their employment growth than nascent and established business owners (Figure 29); as 13% are expecting to add more than 20 jobs in the coming five years while 61% are expecting they will have between 6-19 jobs; this optimism to grow is obvious as well among established business owners. Nascent entrepreneurs are modest about the number of jobs they are expecting to add in the coming five years, whereas 38% and 46% said they will add 1-5 and 9-19 jobs, respectively in future.

**Figure 29 Jobs Expected in 5 Years - Egypt, 2012**

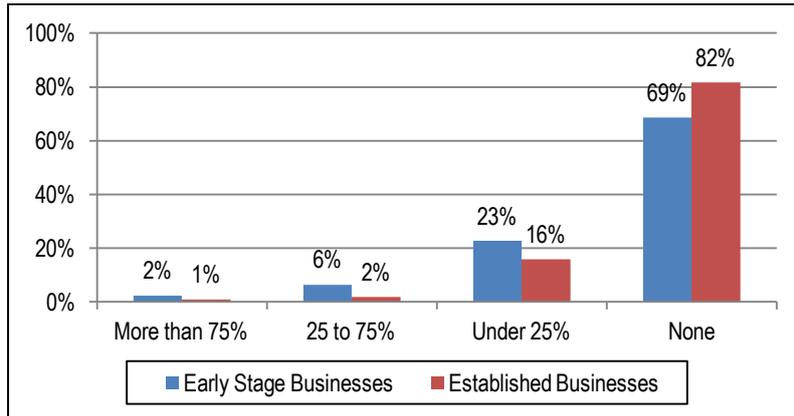


Source: GEM APS Egypt, 2012.

### **Export Orientation**

An export-oriented company is one which produces goods mainly for exports, or has a customer base outside the country. When the Egyptian business owners were asked about their export orientation, the majority of both early-stage entrepreneurs (69%) and established business owners (82%), indicated that they do not export and have no customers outside of Egypt (Figure 30). However, early-stage entrepreneurs showed a slightly higher propensity to export than established businesses.

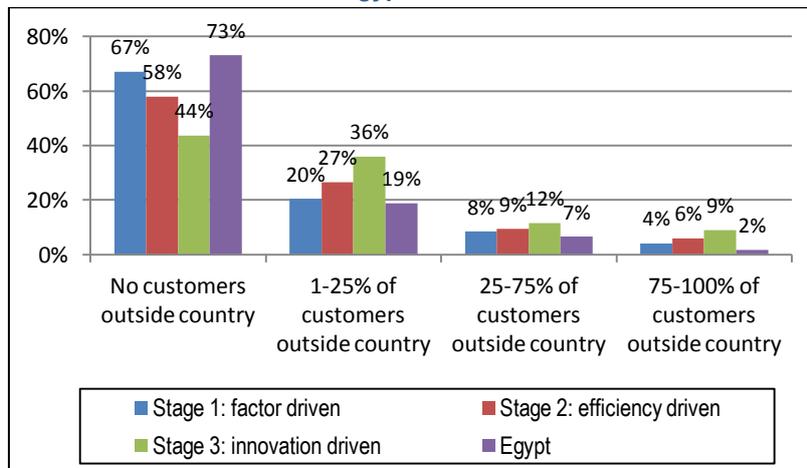
**Figure 30 Number of Customers outside Egypt - 2012**



Source: GEM APS Egypt, 2012.

Comparing Egypt with the rest of the GEM 2012 countries (Figure 31), it is noticeable that early-stage entrepreneurs in all economies depend primarily on a local customer base. Egypt's share of early-stage entrepreneurs with no out-of-country customers is higher than other factor-driven economies. In terms of 1-25% of customers out-of country, Egypt's share is the lowest compared to the three levels of economic development. However, at the higher percentages of customers out-of country, 25-75% and 76-100%, almost all economies show same pattern of low export intensity.

**Figure 31 Number of Customers outside the Country, By level of Economic Development and Egypt – 2012**



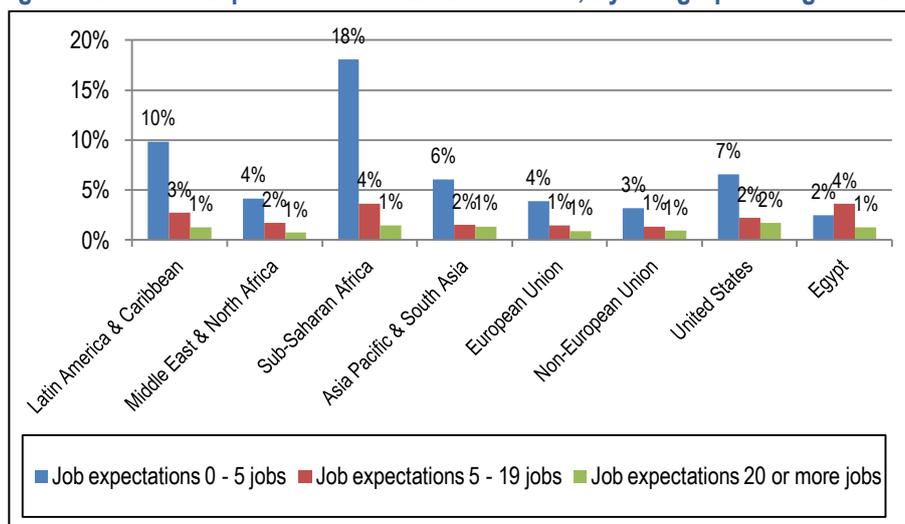
Source: APS Global, 2012.

### ***Innovation and Expansion Expectations***

As much as growth is perceived to be "the very essence of entrepreneurship"; innovation is believed to be the tool of the entrepreneur to grow and develop. Figure 32 compares Egypt to other GEM countries on the growth expectations of early-stage entrepreneurs, while Table 8 presents the position of a number of dimensions related to innovation in Egypt.

The growth expectations provide some indication of the economic impact of the enterprises over time and measured by the anticipated number of jobs to be created over a certain period. Early stage entrepreneurs in all economies are expecting to create few numbers of jobs over the coming 5 years, while the Egyptian entrepreneurs are more ambitious and optimistic and expecting to create 5-19 jobs.

**Figure 32 Growth Expectations of TEA Businesses, By Geographic Region – 2012**



Source: APS Global 2012.

In terms of Innovation, early-stage businesses have slightly different characteristics than Egyptian enterprises that have been established for more than 42 months (Table 8). A higher percentage of early-stage TEA businesses is planning to undertake market expansion based on new technologies; is using very latest technology (newer than one year); and is competing in markets with few or no competitors with the same product. On the other hand, established businesses are more likely to have customers who consider their products new or unfamiliar, to use new technology (1-5 years old), to operate in the high tech sector and to show new product market combination. Overall, the vast majority of all Egyptian businesses are not particularly technology-oriented or differentiated in their product market combinations.

**Table 8. Comparing TEA and Established Businesses on Innovation, Egypt - 2012**

	TEA businesses (%)	Established businesses (%)
<b>Market expansion mode</b>		
No market expansion	62%	70%
Some market expansion (no new technologies)	19%	25%
Some market expansion (new technologies)	17%	3%
Profound market expansion	2%	2%
<b>Innovation</b>		
<b>Number of (potential) customers who consider products new/unfamiliar</b>		
All	10%	14%
Some	17%	25%
None	73%	61%
<b>Use of technologies that were available more than a year ago</b>		
Very latest technology (newer than one year)	19%	5%
New technology (1-5 years old)	12%	13%
No new technology (more than 5 years old)	69%	82%
<b>Technology level of the sector</b>		
No or low technologies	98%	97%
Medium-tech	1%	0%
High-tech	2%	3%

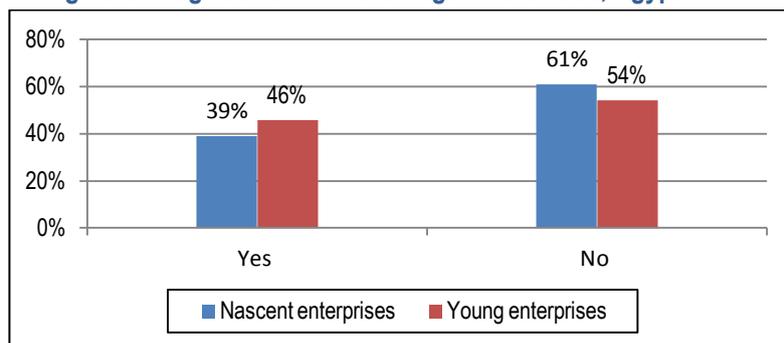
<b>New product market combination</b>		
No indication	87%	85%
Indication	13%	15%
<b>Competition - Other businesses offering the same products</b>		
Many	72%	75%
Few	22%	22%
None	6%	3%

Source: GEM APS Egypt, 2012.

### Registration with the Legal Authorities

Any business owner can register his/her company with the legal authorities, a process that has been made easier as part of the economic reform that Egypt has led over the past years; however many business owners opt to skip this step and hence classified as informal sector; a sector that contributes significantly to the GDP. Nascent entrepreneurs and new firm owners were asked whether they have registered their business with the legal authorities or not. Figure 33 shows that 61% of nascent entrepreneurs are not registered, i.e. informally operating, while 54% of new firm owners said they have not registered their businesses.

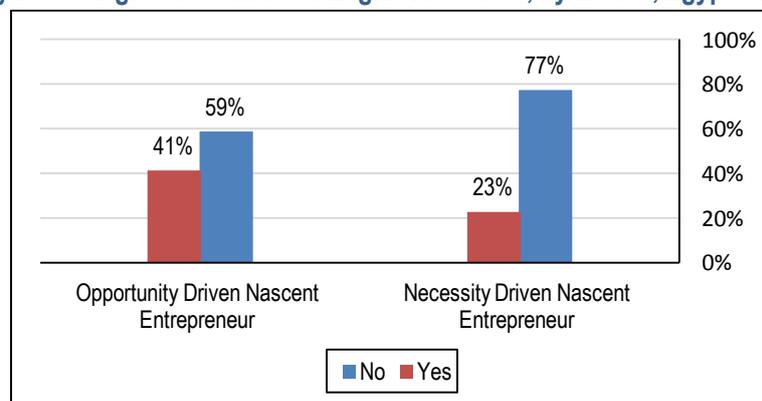
**Figure 33 Registration with the Legal Authorities, Egypt – 2012**



Source: GEM APS Egypt, 2012.

More than 75% of necessity driven nascent entrepreneurs are not registered compared to 58% of opportunity driven nascent entrepreneurs (Figure 34), implying that most of businesses operating in the informal sector are necessity entrepreneurs, which is common in developing countries that informal businesses are established because the owners cannot find satisfactory jobs<sup>xiii</sup>.

**Figure 34 Registration with the Legal Authorities, by Motive, Egypt – 2012**



Source: GEM APS Egypt, 2012.

## Evaluation of the Impact of the 25<sup>th</sup> of January Revolution

During the first month of 2011, Egypt witnessed a series of events started on January 25<sup>th</sup> by thousands of Egyptians flooding into streets expressing their dissatisfaction with the socioeconomic, political and financial conditions in the country and demanding their basic rights of freedom, dignity and social justice. In a few days, the protestors flowed into streets all over the country and the ceiling of demands kept increasing; until it successfully ended, after 18 days, with the downfall of the 30-years political regime.

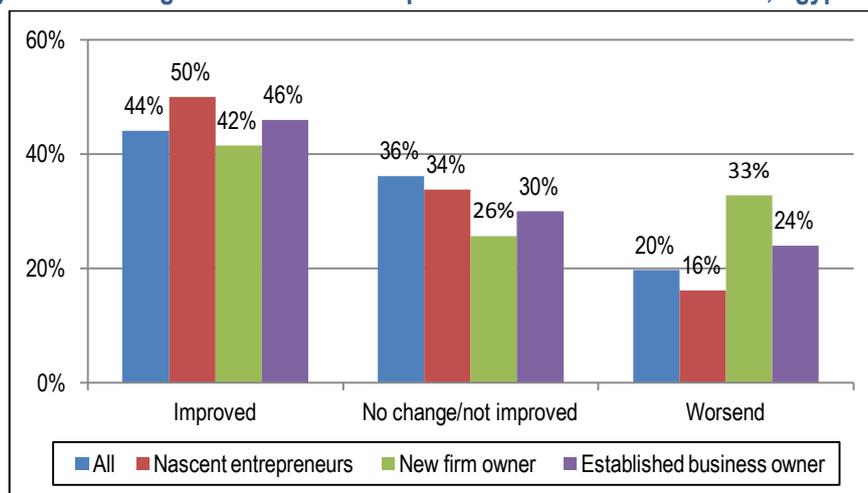
Since then, the country has passed through a transition period, which remained until the election of a new President in June 2012. Over the year and half prior to this, the economy was struggling; which was obvious from inflation and the high unemployment rates.

This part of Egypt GEM 2012 sheds light on the impact of revolution, not only on the aspects of starting and growing business in Egypt, but on other factors that impact the decision to start a new business. The impact of the revolution questions were asked to both business owners and non-business owners, in the period of June and July 2012; 15 months from the start of revolution.

### Impact of Revolution on starting and growing a business

The participants were asked to express their opinion about the conditions of starting the business in Egypt compared to before the revolution; whether it had improved, got worse or no change. Almost half of the nascent entrepreneurs, who were in the process of starting a business, felt that starting a business had improved compared to before the revolution (Figure 35), followed by established business owners. On the contrary, almost 60% of the new business owners were less satisfied and felt that starting a business compared to before 25<sup>th</sup> January, 2011 was either worse or not changed or improved. Only 16% of the nascent entrepreneurs felt that the conditions to start a business had got worse after the revolution.

Figure 35 Starting Business Now Compared To Before the Revolution, Egypt - 2012

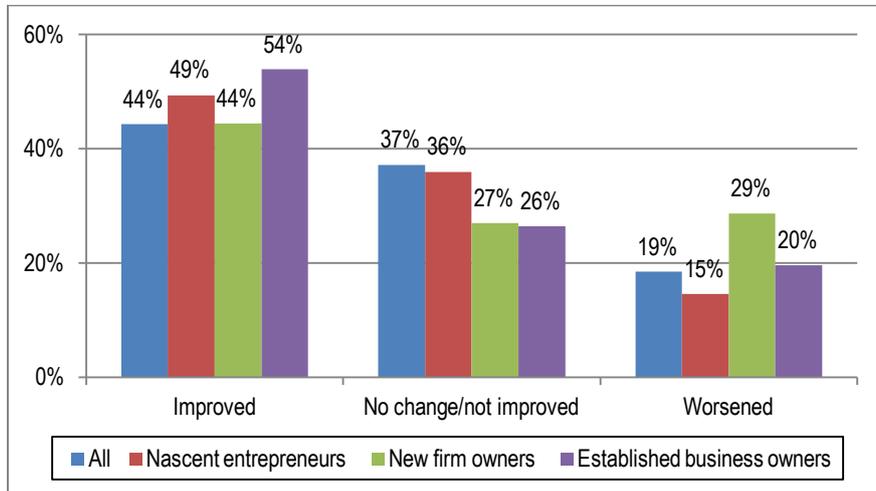


Source: GEM APS Egypt, 2012.

While more than half of the established business owners believed that the conditions to grow the business had improved compared to before the revolution (Figure 36). The established businesses are more than 42 months old, which means they have managed to survive the birth and growth phases. For

some of them, the revolution represented an opportunity to expand their businesses. This belief was shared by the nascent entrepreneurs (49%) and to a less extent by the new business owners. While only 15% of nascent entrepreneurs felt that the conditions to grow the business became worse after the revolution, almost 30% of new business owners had this feeling.

**Figure 36 Growing Business Now Compared To Before the Revolution, Egypt -2012**

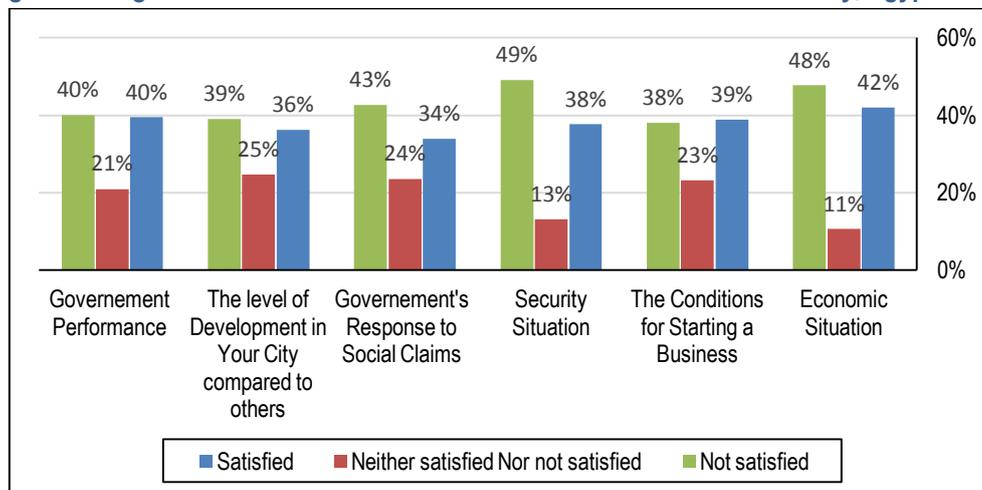


Source: GEM APS Egypt, 2012.

### **Evaluation of the current situation in Egypt**

Since the revolution had an impact on everyone living in the country and its effect extended to all aspects of life, it was important to evaluate the situation in the country post revolution. The adult population were asked to express their feelings toward the contemporary situation in Egypt, after 15 months from the start of 25<sup>th</sup> January, 2011 revolution. They were given a list of domains related to their daily life in general and were requested to express their satisfaction or dissatisfaction with the conditions of these domains (Figure 37). As expected, they were least satisfied with the security situation in the country, economic situation, the Government’s response to social claims (in order of their degree of dissatisfaction) and to a less extent with the government performance and level of development in their local cities.

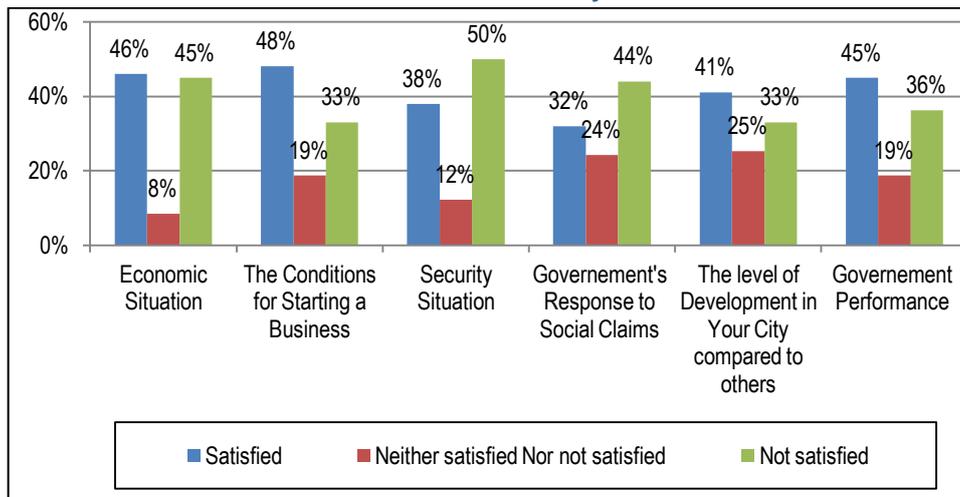
**Figure 37 Degree of Satisfaction with the General Conditions in the Country, Egypt – 2012**



Source: GEM APS Egypt, 2012.

It was also important to gauge the degree of satisfaction among the early stage entrepreneurs in Egypt (Figure 38). Egyptian early stage entrepreneurs were satisfied with the current conditions for starting a business, the government's performance and the level of development in their cities compared to other cities after 15 months from the start of revolution (in descending order). However, they had a contradicting opinion about the economic situation, as both the degrees of satisfaction and dissatisfaction are almost the same. On the other hand, almost half of early stage entrepreneurs expressed their dissatisfaction with the security situation in the country and the government's response to social claims.

**Figure 38 Degree of Satisfaction of Egyptian Early Stage Entrepreneurs with the General Conditions in the Country, 2012**



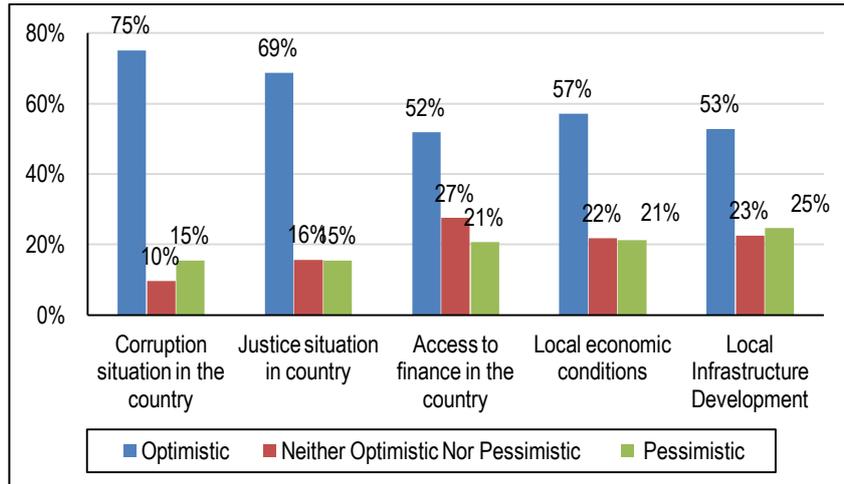
Source: GEM APS Egypt, 2012.

### **Expectation of the future situation in Egypt**

The Egyptian revolution of 25 January 2011 was triggered by many yet mixed reasons and causes; deterioration of legal and political conditions, uncontrollable corruption, high unemployment, food price inflation, and low minimum wages<sup>xiv</sup>. After 15 months, much has changed yet there are different scenarios projected for Egypt's future; these scenarios vary from extreme optimism to extreme pessimism<sup>xv</sup>. Egyptian adults were asked to describe their degree of expectation for the future regarding situations for which the revolution was triggered and impacted their lives, including corruption, justice, access to finance, local economic conditions and local infrastructure development.

The adult population surveyed expressed a high degree of optimism in the future (Figure 39). The Egyptian people are optimistic that corruption will no longer exist in the country, justice will be prevalent, local economic conditions will be improved, more access to finance will be witnessed and more development of local infrastructure.

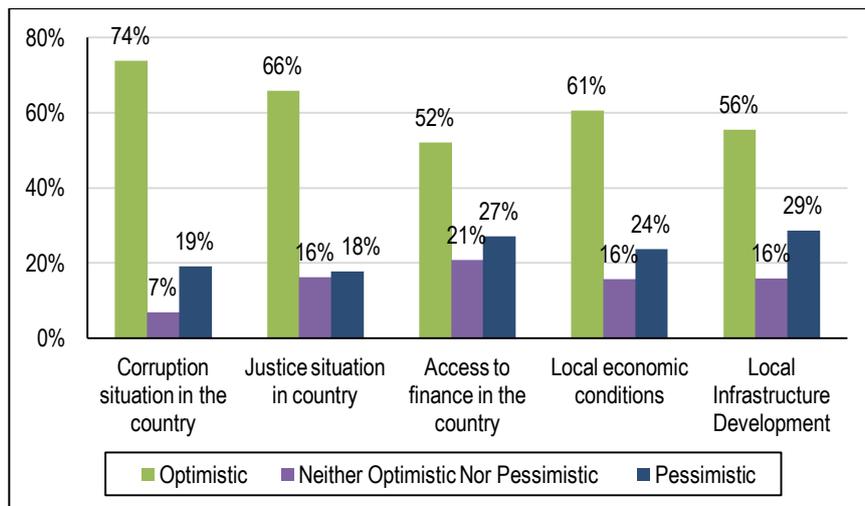
**Figure 39 Degree of Future Expectations of Egyptian Adults of the Future, Egypt - 2012**



Source: GEM APS Egypt, 2012.

Egyptian early stage entrepreneurs had a high level of optimism, especially in terms of ending the corruption, improving the level of justice in the country, local economic conditions and the infrastructure in the country (Figure 40). They are, to a lesser extent, optimistic about having better access to finance.

**Figure 40 Degree of Future Expectations of Early Stage Entrepreneurs of the Future, Egypt - 2012**



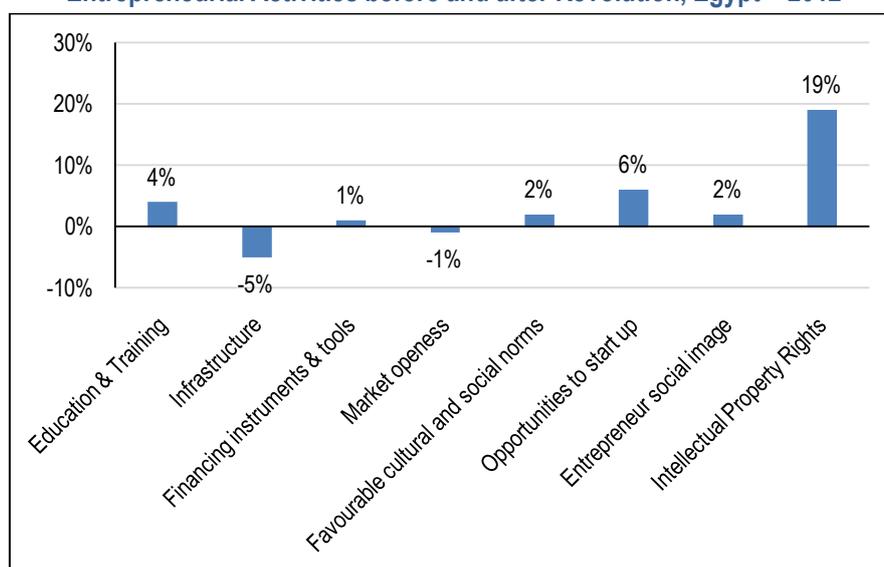
Source: GEM APS Egypt, 2012.

### ***Evaluation of the National Conditions Influencing Entrepreneurial Activities in Egypt***

In the GEM 2008 and 2010 cycles, the Egypt entrepreneurship reports showed experts perceiving certain national framework conditions as having a negative impact on the entrepreneurial process, including education and training, availability of financial instruments and government programmes and policies; in 2012, after 15 months from the start of the revolution, Egyptian adults aged 18-64 years old were asked to assess the current situation of these framework conditions compared to before the revolution.

Respondents' degree of satisfaction with the national conditions influencing the entrepreneurial activities in Egypt varied between after and before the revolution (Figure 41). Out of eight national conditions, Egyptian adults aged 18-64 were more satisfied with six of these conditions after revolution compared to before the evolution. They were mostly satisfied with the intellectual property rights and felt it had improved considerably (19%); yet with other conditions, the degree of satisfaction between after and before the revolution was insignificant (ranged between 6% for opportunities to start up a new business, 4% for education and training and 1% for the financing instruments and tools). However, the degree of their satisfaction had decreased in two conditions which are the infrastructure (Ease of access to available physical resources) with 5% less satisfaction after revolution compared to before revolution and market openness with 1% less satisfaction now compared to before 25<sup>th</sup> January, 2011.

**Figure 41 Degree of Satisfaction of Adult Population with the National Conditions Influencing Entrepreneurial Activities before and after Revolution, Egypt – 2012**



Source: GEM APS Egypt, 2012.

\* Percentages in this chart represent the difference between the degree of satisfaction with national conditions after revolution and degree of satisfaction with national conditions before revolution.

\*\* Negative sign indicates that the degree of satisfaction with the national condition has decreased after revolution compared to before revolution.

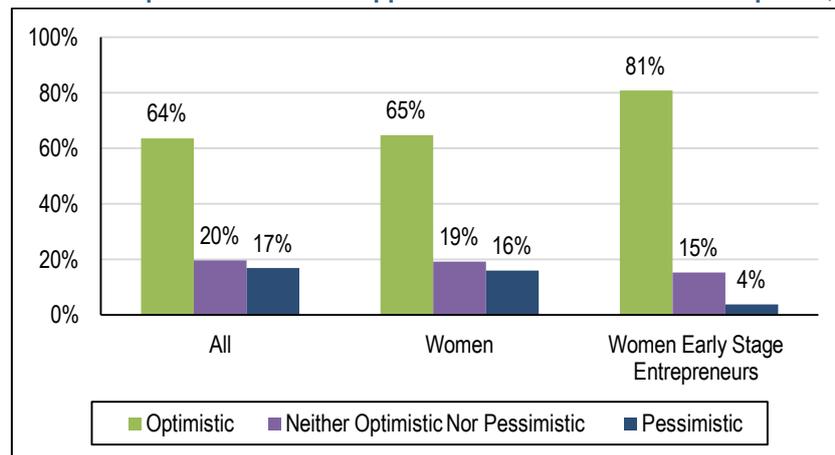
In general, the adult population is more satisfied with the national conditions impacting the level of entrepreneurship after the revolution compared to before it. This is obvious from the increasing percentage of individuals who are satisfied with these conditions and the decreasing percentage of dissatisfied individuals. Three national conditions have been perceived positively by respondents; the intellectual property rights, the education and training, which is one of the conditions that has been always viewed as an obstacle to the entrepreneurial process in the country, in 2012 study it was perceived as being improved after revolution; opportunities to start up a new business are more available and. On the other hand, infrastructure has been seen as negatively impacted by the revolution; more individuals were dissatisfied with this condition after the revolution compared to before it. Other conditions: financing instruments and tools, market openness, favourable cultural and social norms and entrepreneur's social image have been slightly improved after the revolution, yet insignificantly.

## Evaluation of Egyptian Women's Status After the Revolution

From the first days of the revolution, women were active participants in all its events; they hoped the revolution would make them equal partners in the new Egypt; thus it was important to investigate the impact of revolution on the economic status of women and contrast between the "before the revolution" era and currently in terms of conditions influencing women's entrepreneurial activity. The economic status of women was investigated by identifying the future perception of women's opportunities for economic participation and the available opportunities for starting and growing a business. The impact of revolution on women was measured through gauging the degree of satisfaction/dissatisfaction with support given to women by different parties (family, society and government) and the equality between men and women in terms of their access to markets, opportunities and finance.

Women early stage entrepreneurs are very optimistic with the opportunities that would be available for them to be active participants in the economy (Figure 42). The women in general and adults who participated in the current cycle share the optimism with women entrepreneurs, though to a lesser extent.

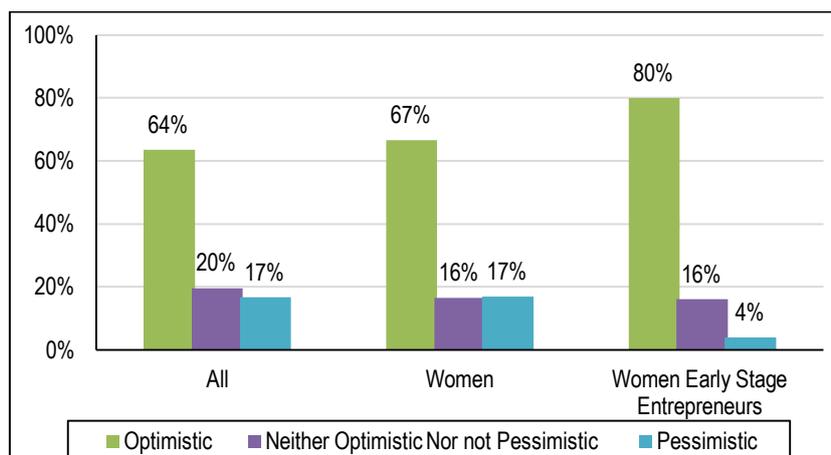
**Figure 42 Future Perception of Women's Opportunities for Economic Participation, Egypt -2012**



Source: GEM APS Egypt, 2012.

Women early stage entrepreneurs showed, again, a high degree of optimism regarding the future perspectives on women's access to opportunities for starting and growing their own businesses (Figure 43); which is shared with all the adults aged 18-64 and women in general.

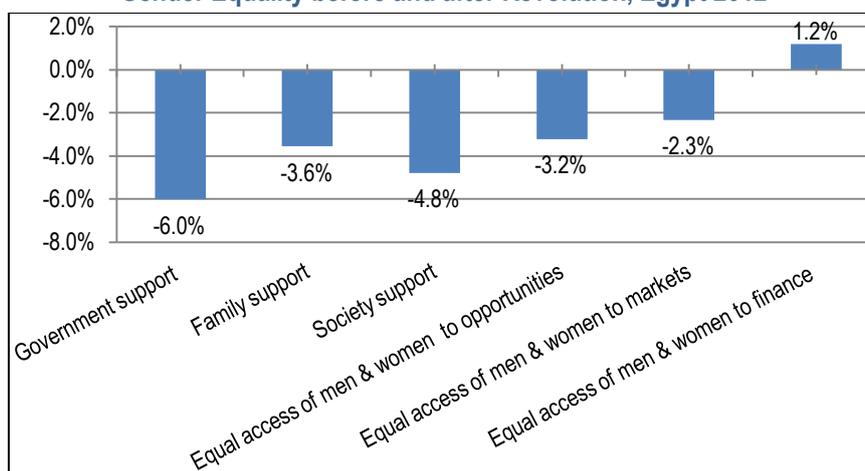
**Figure 43 Future Perception of Women’s Opportunities for Starting and Growing a Business, Egypt -2012**



Source: GEM APS Egypt, 2012.

The adult population was asked to express its degree of satisfaction with the support given to women from different sources (government, family and society) and equality with men in terms of accessing business opportunities, markets and finance, after and before the revolution. Generally the adult population was less satisfied with the support given to women from the different sources after revolution compared to support given to women from the same sources before the revolution (Figure 44). The government support given to women after revolution was viewed as the least support given. The level of satisfaction of adult population with the gender equality in accessing business opportunities and markets dropped after the revolution; while they are more satisfied with the gender equality in accessing finance after revolution than before it.

**Figure 44 Degree of Satisfaction of Adult Population with the Support Given to Women and Gender Equality before and after Revolution, Egypt 2012**



Source: GEM APS Egypt, 2012.

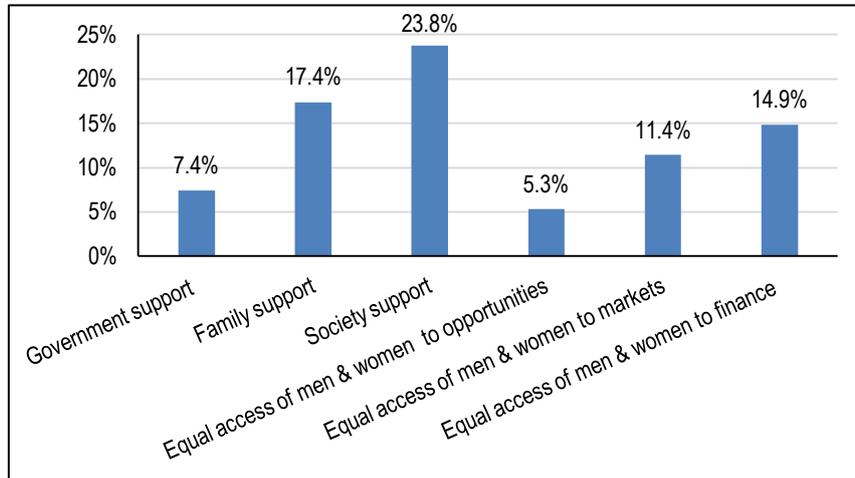
\* Percentages in this chart represent the difference between the degree of satisfaction with national conditions after revolution and degree of satisfaction with national conditions before revolution.

\*\* Negative sign indicates that the degree of satisfaction with the national condition has decreased after revolution compared to before revolution.

Conversely, women early stage entrepreneurs were more satisfied with the support given to them by the different parties after the revolution (Figure 45); with society perceived as the most supportive party followed by family; whereas support given by government received lowest degree of satisfaction.

Regarding gender equality, women early stage entrepreneurs are more satisfied with their ability to access finance, markets and, to a less extent, business opportunities, as men after the revolution compared to before it.

**Figure 45 Degree of Satisfaction of Women Early Stage Entrepreneurs with the Support Given to them and Gender Equality before and after Revolution, Egypt 2012**



Source: GEM APS Egypt, 2012.

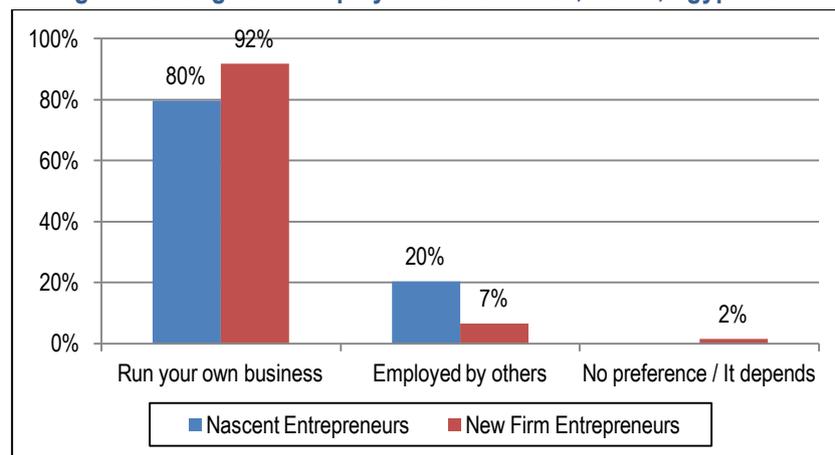
\* Percentages in this chart represent the difference between the degree of satisfaction with national conditions after revolution and degree of satisfaction with national conditions before revolution.

## Review of Egypt Youth Entrepreneurship

Egypt is characterised by its young population; according to the 2006 census, approximately 25 percent of Egyptians are between the ages of 18 and 29. Hence youth in Egypt can be a vehicle for economic development if conditions are put in place for an inclusive society<sup>xvi</sup>, where they feel valued and are offered opportunities for better education, access to jobs, freedom of choice, engage productively in the community, etc. Previous GEM reports showed signs of involvement in the entrepreneurial process among young people; however, very little was known about their enterprises, source of funding, role model, etc.. This section contributes to our understanding and knowledge of youth entrepreneurship in Egypt through investigating the case of nascent entrepreneurs who are about to start their businesses and new business owners who already started their businesses, operating and paying salaries.

Our understanding of youth entrepreneurs in Egypt starts by investigating their long term employment preference. Figure 46 shows that Egyptian young entrepreneurs prefer self-employment over being employed by others in the future; however this preference is higher among new firm entrepreneurs than nascent entrepreneurs (92% and 80% respectively); which would imply that nascent entrepreneurs have a higher tendency to be employed by others than new firm entrepreneurs.

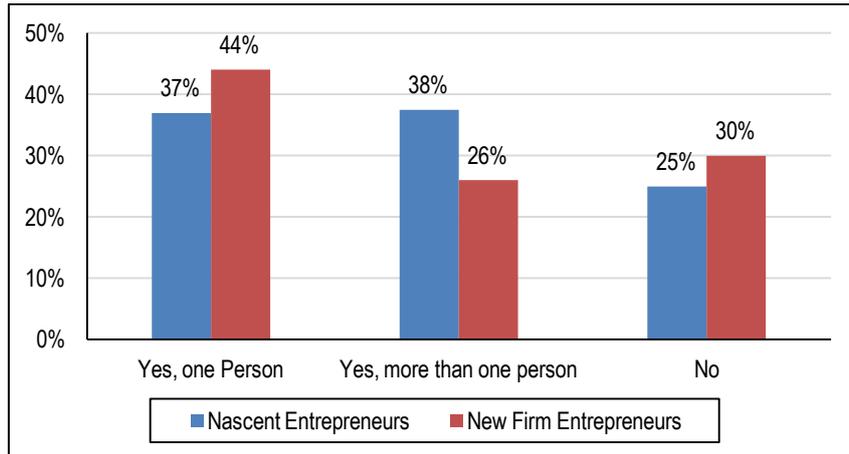
**Figure 46 Long Term Employment Preference, Youth, Egypt -2012**



Source: GEM APS Egypt, 2012.

Young entrepreneurs were asked if others, whether one person or more, have influenced their decisions to start a business and the answers showed that the majority of both nascent entrepreneurs and new firm entrepreneurs were influenced by others (Figure 47); whereas 44% of new firm entrepreneurs were influenced by one person and 38% of nascent entrepreneurs were influenced by more than one person. However, almost one quarter of nascent entrepreneurs and 30% of new firm entrepreneurs made the decision to start a business without the influence of others.

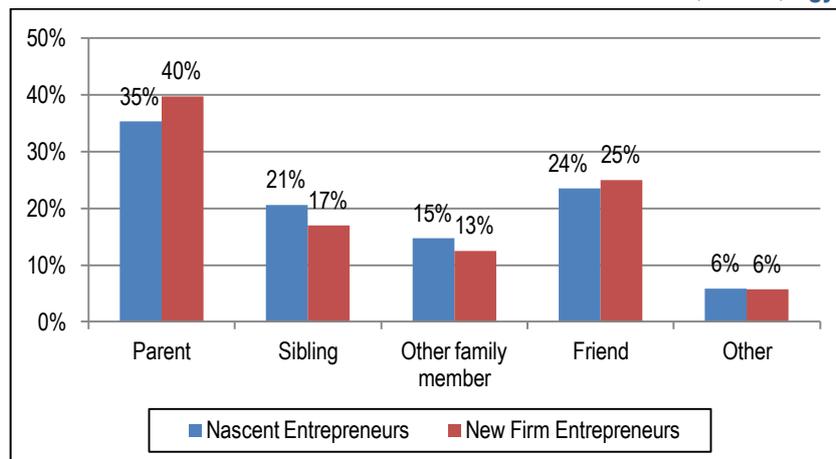
**Figure 47 Influence of Others on the decision to start the business, Youth, Egypt -2012**



Source: GEM APS Egypt, 2012.

Those who were influenced by others to start their own businesses were asked to identify who are the people who shaped their decision (Figure 48). Both nascent entrepreneurs and new firm entrepreneurs are influenced primarily by the parents (35% and 40%, respectively) followed by friends (24% and 25%, respectively). In general, the young early stage entrepreneurs are influenced by individuals within their social circles (parents, friends, siblings, etc..).

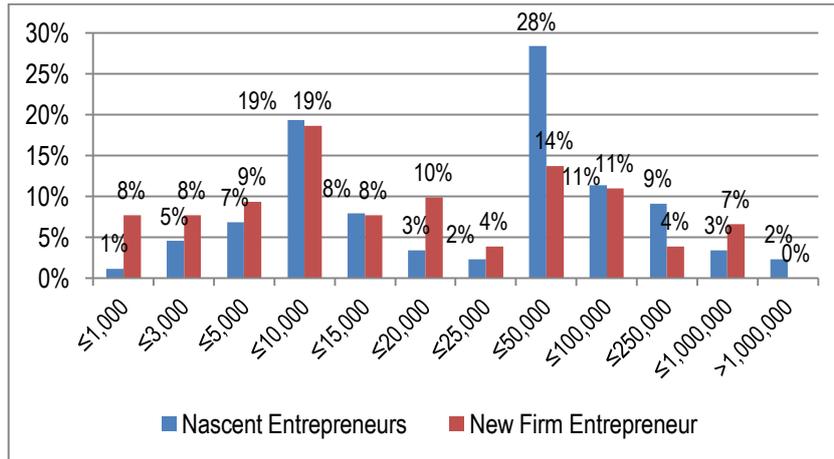
**Figure 48 Source of Influence on the decision to start the business, Youth, Egypt -2012**



Source: GEM APS Egypt, 2012.

Young entrepreneurs were asked about the start-up capital in terms of its amount and source. In general, the young early stage entrepreneurs need less than 50,000 EGP to start a business (Figure 49), however, nascent entrepreneurs require higher amounts of capital to start their businesses compared to new firm entrepreneurs.

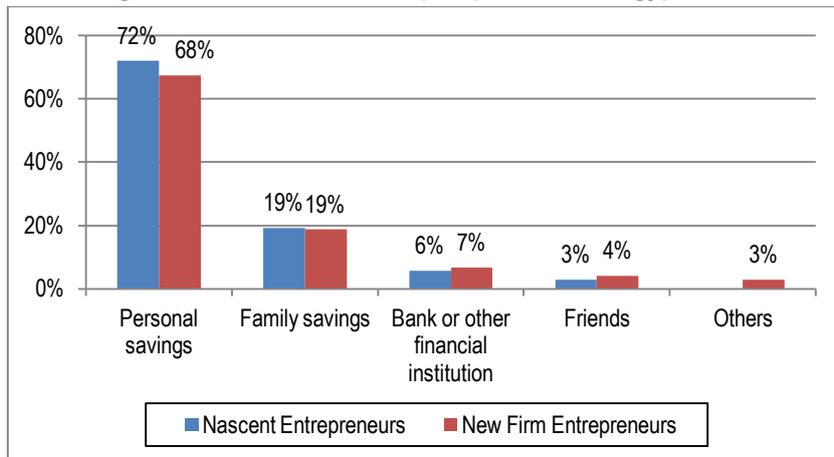
**Figure 49 The Start-up Capital, Youth, Egypt -2012**



Source: GEM APS Egypt, 2012.

The main source for the start-up capital needed by young early stage entrepreneurs is their personal savings (Figure 50); whereas 72% and 68% of nascent entrepreneurs and new firm owners (respectively) indicated that they will finance their business from their own money. The other source from which young entrepreneurs seek funds is their family's own savings (19%). Loans from banks or other financial institutions are not a major source for funding the business.

**Figure 50 Sources of Start-up Capital, Youth, Egypt - 2012**



Source: GEM APS Egypt, 2012.



## ***Part III: National Expert Survey (NES) Findings - Entrepreneurial Framework Conditions***

GEM model (Figure1) depicts nine Entrepreneurship Framework Conditions (EFCs) representing country's aptitude to encourage start-ups, which in turn influence individuals' decisions to pursue the entrepreneurial initiatives and the rate and profile of entrepreneurship; regardless its level of economic development. The EFCs determine the entrepreneurial opportunities and the entrepreneurial capacity<sup>xvii</sup>; or the demand side and supply side of entrepreneurship. The demand side of entrepreneurship refers to the opportunities available for individuals to start a business; whereas the supply side of entrepreneurship refers to the resources, abilities of individuals and their attitudes towards entrepreneurship<sup>xviii</sup>.

In 2012 cycle, 69 countries participating in the GEM project conducted the National Experts Survey (NES). In the NES, a minimum of 36 professionals<sup>3</sup> were asked to complete a close-ended questionnaire on factors related to the nine EFCs<sup>4</sup> in their respective countries. The responses are measured on a 5-point Likert scale from 1-5 with "1 and 2" indicating that the expert regarded the factor as negative for entrepreneurship, while a "4 and 5" would indicate that the expert regarded the factor as positive. A negative framework condition is a factor that hinders the development and growth of the entrepreneurial activity in the country, whereas the positive framework condition fosters the growth of entrepreneurship in the country. Experts also were asked to provide their perception of a number of other factors, including, for example, the start-up abilities and knowledge of people in the country, the social image of entrepreneurs, the state of intellectual property rights, support to start-ups by women, the attention paid to high-growth firms, and the level of interest in innovation. Finally they were asked to state three issues or factors constraining entrepreneurial activity in the country, three that are fostering it, and three recommendations to improve it.

This section presents the different aspects of the national context expected to enhance entrepreneurial activity in Egypt. This is examined through: 1) cross-geographic regions comparison to show where Egypt is ranked compared to the rest of regions, including Middle East; and 2) experts' perceptions of each of these conditions (Annex 4 presents the scores by the expert informants by geographical regions).

### ***Expert's Perceptions of the Strength of Entrepreneurial Framework Conditions***

The cross-national comparison of experts' responses reveals variations in the perception of the nine EFCs in the 69 countries participating in GEM 2012 (Annex 1). The mean scores for Egypt are summarised in Table 9 along with its rankings among GEM countries. Additionally, the mean scores for

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<sup>3</sup> Four experts from each of the entrepreneurial framework condition categories; described in Figure 1 and Annex 3 with a minimum of 25% must be entrepreneurs or business people, and 50% must be professionals.

<sup>4</sup> It should be noted that three of the conditions (education, national policy, and internal markets) each contain two subconditions; education includes primary/secondary school and post school training, national policy contains both general policy and regulatory policy and internal markets refers to both dynamics and openness of markets.

years 2008 and 2010 are also presented to identify the changes between the three cycles; 2008, the 1<sup>st</sup> year Egypt participated in the GEM programme, 2010, the year when the economic crisis had its impact on Egypt and 2012, a year after the 25<sup>th</sup> of January, 2011 revolution.

**Table 9. Summary of Egypt's Relative Performance in Assessment of EFCs**

<b>Entrepreneurial Framework Condition</b>	<b>Mean score for Egypt 2012</b>	<b>Mean score for Egypt 2010</b>	<b>Mean score for Egypt 2008</b>	<b>Rank (among 69 countries in 2012)</b>
1. Financial Support	2.38	2.4	2.27	38
2. Government Policies	2.03	2.2	2.71	54
3. Government Programmes	1.86	2.12	2.19	64
4. Education and Training	1.28	1.72	1.79	69
5. Research and Development (R&D) Transfer	1.80	1.83	1.65	68
6. Commercial & Professional Services Infrastructure	2.60	2.64	2.68	66
7. Internal Market Openness				
Internal market dynamics	3.26	3.36	3.57	24
Internal market burden	2.39	2.21	2.47	51
8. Physical Infrastructure	3.65	3.62	3.82	40
9. Cultural and Social Norms	2.13	2.1	2.40	41

Note: Mean scores are based on scale of 1 to 5.

Comparing the mean score of each of the framework conditions of 2012 to 2010 and 2008 shows that EFCs are still below 4, indicating that over five years, none of these conditions was strengthened enough to impact positively the entrepreneurship in the country; moreover, the mean score of education is the lowest in 2012 cycle compared to the other two cycles.

The remainder of this section presents and analyses the responses from the 36 Egyptian experts and compares the overall results with those of expert assessments in the other participating GEM countries.

### 1. Entrepreneurial Financial Support

GEM defines financial support by the availability of financial resources— equity and debt—for new and growing firms including grants and subsidies. This EFC has been measured using six survey items evaluating the supply and demand of financial resources (Box 1).

A cross regional comparison shows that the experts were not satisfied with the level of funding availability for the new and growing firms in their respective countries (Figure 51), where the mean scores ranged between 3 and 2.2, indicating that this EFC is weak<sup>5</sup>. The assessment of the adequacy of the financial support according to Egyptian experts ranks Egypt 38<sup>th</sup> (out of 69) with a mean score of 2.38.

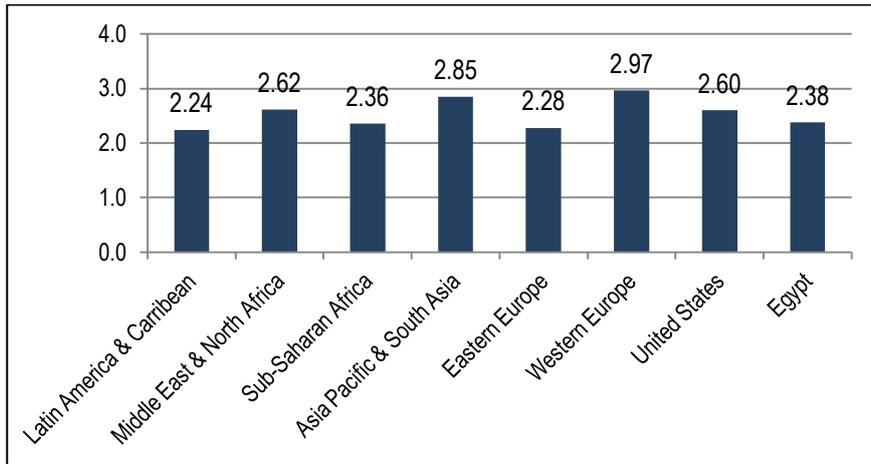
#### Box 1. Financial Support

In my country, there is:

1. sufficient equity funding available for new and growing firms.
2. sufficient debt funding available for new and growing firms.
3. sufficient government subsidies available for new and growing firms.
4. sufficient funding available from private individuals (other than founders) for new and growing firms.
5. sufficient venture capitalist funding available for new and growing firms.
6. sufficient funding available through initial public offerings (IPOs) for new and growing firms.

<sup>5</sup> To consider an EFC to be strong in supporting entrepreneurship in the country, the mean score of this EFC is above 4; while a score of 2 or 1 indicates that this EFC is weak.

**Figure 51 Financial Support – By Geographic Region – 2012**



Source: NES Global 2012.

Access to finance represents one of the most significant challenges for entrepreneurs and for the creation, survival and growth of small businesses. In Egypt, research has shown that access to finance is still a significant bottleneck for small and growing companies<sup>xix</sup>; a finding that complies with the experts' perception of the availability of entrepreneurial finance as a negative condition.

According to the experts' opinion, there is neither sufficient funding available through Initial Public Offering (IPOs) nor government subsidies, with mean scores of 1.9 and 2.1, respectively (Figure 52). Experts also viewed the adequacy of funding from other sources as poor, but to a lesser extent; venture capital funding (a type of private equity capital typically provided to early-stage, high-potential, growth companies), equity funding (which is trading a percentage of a business for a specific amount of money), debt funding (including both secured and unsecured loans) and from private individuals (business angles) are viewed not to be sufficiently available in Egypt to new and growing firms, with mean scores of 2.6

**Figure 52 Perceptions of the State of Financial Support in Egypt - 2012**



Source: GEM NES Egypt, 2012.

Although the experts had a negative view of this EFC, it is worth mentioning that there is an increase in number of organisations providing financial support to start-ups in Egypt, for example, Tamkeen Capital, Sawari Ventures, Flat6Labs and Ideaevelopers, although their main focus is on technological start-ups.

On the other hand, the Egyptian Government developed a National SME Strategy and an SME Law to help create, support and promote Egyptian small businesses. Among the outcomes has been the development of a more straightforward regulatory framework and simpler tax code. Another key player is the Social Fund for Development, a government agency with a mandate to promote self-employment through supporting microcredit projects.

Despite programmes and initiatives of both the private and public sectors to provide funding for small and growing firms, finance remains viewed as an obstacle. It is obvious there is a problem in effectively channelling money to beneficiaries that must be resolved in order to reap the benefits of these efforts.

## 2. Government Policies

Another national framework condition affecting entrepreneurship activity in any country is “government policies”. This is the extent to which government policies, such as support, legislation, regulations, taxation and other practices are either size- neutral or encourage new and growing firms. The impact of this factor on entrepreneurship was investigated in a set of seven survey items in the NES (Box 2).

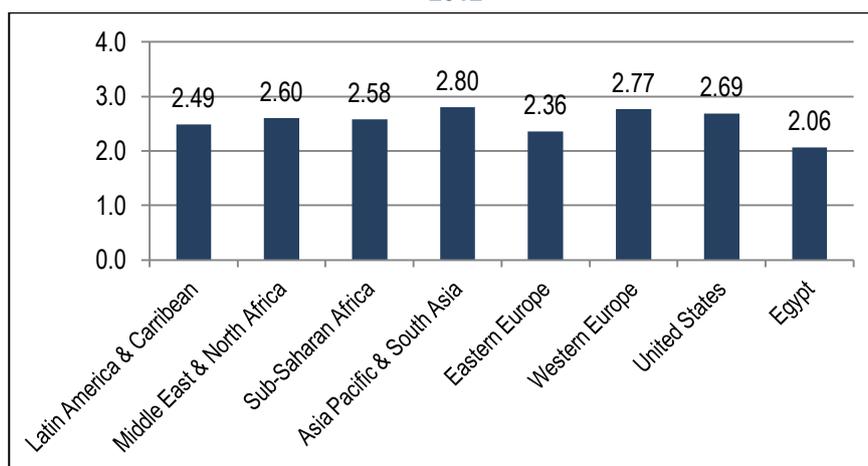
With respect to Government’s concrete policies, support in general and the priority given to new and growing firms, experts in all regions perceived this factor as unfavourable to entrepreneurial development and the support is not sufficient in their respective countries (figure 53). Egypt’s mean score for this EFC is 2.06, which is the lowest compared to other regions.

### Box 2. Government Policies

In my country:

1. government policies (e.g. public procurement) consistently favour new firms.
2. the support for new and growing firms is a high priority for policy at the national government level.
3. the support for new and growing firms is a high priority for policy at the local government level.
4. new firms can get most of the required permits and licenses in about a week.
5. the amount of taxes is NOT a burden for new and growing firms.
6. taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.
7. coping with government bureaucracy, regulations, and licensing requirements is not unduly difficult for new and growing firms.

**Figure 53 Government Policies (concrete policies, priority and support) – By Geographic Region – 2012**

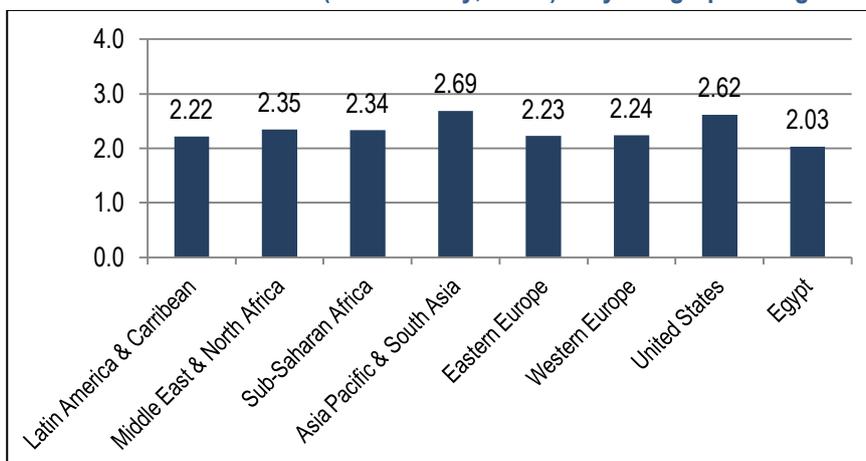


Source: NES Global 2012.

In terms of government policies; for example, taxes imposed on new and growing firms and bureaucracy, experts viewed them as being constraining to entrepreneurship (Figure 54). Egypt has the lowest mean score of 2.03 reflecting the weakness of this EFC in supporting any entrepreneurial

initiative. The Ease of Doing Business Index for 2012, showed that starting a business in Egypt has receded especially in terms of paying taxes and dealing with permits (i.e. it has become more difficult).

**Figure 54 Government Policies (bureaucracy, taxes) – By Geographic Region – 2012**



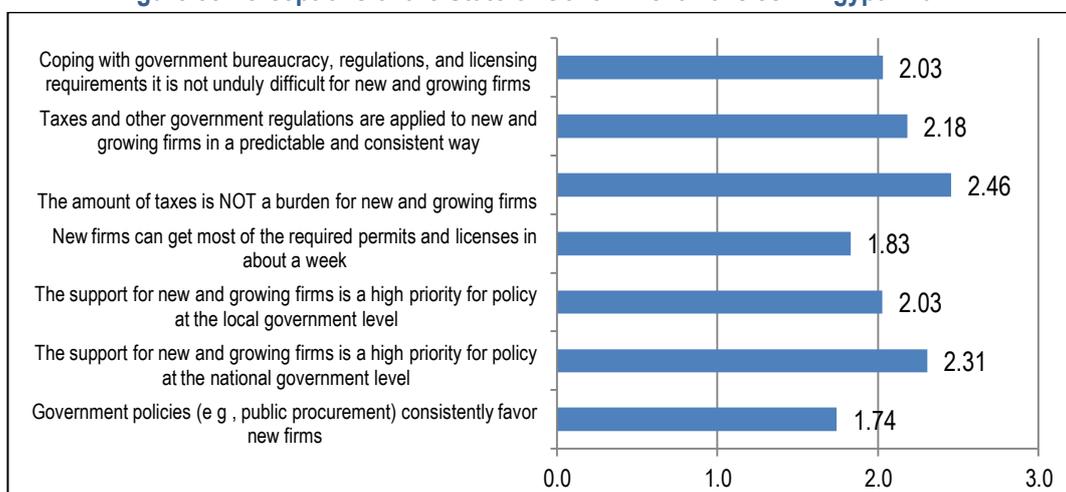
Source: NES Global 2012.

Egyptian experts believed that efforts exerted to support and foster entrepreneurship in the country were not sufficient and considered the Government policies (e.g. public procurements) as a hindering factor for entrepreneurship, with a mean score of 1.7 (Figure 55). Another obstacle facing Egyptian new and growing business owners is obtaining required permits and licenses, with a mean score of 1.8; despite the efforts to reduce the time required to obtain an operating licence.

Coping with government bureaucracy, regulations and licensing, is another obstacle facing the new and growing firm owners with a mean score of 2.3. Experts also believed that supporting new and growing firms is not a priority for policy at the local government level with a mean score of 2.03.

Taxes are still perceived as a burden for the new and growing firms (with a mean score of 2.46); taxes to be paid by the firms include social insurance contributions (25.8% of profit), corporate income tax (13.2% of profit) and administrative taxes (4.6%) or a total of 43.6% of the profit, compared to 42.6% in 2011<sup>xx</sup>. Hence experts believed that applying taxes and government regulations are not applied in a predictable and consistent way, with a mean score of 2.18.

**Figure 55 Perceptions of the State of Government Policies in Egypt - 2012**



Source: GEM NES Egypt, 2012.

### 3. Governmental Entrepreneurship Programmes

Another main factor affecting the level of entrepreneurial activity is the government's involvement in encouraging new and growing firms through support programmes (at national and regional levels). The contribution of government programmes to entrepreneurship support was assessed in the NES by six items (Box 3).

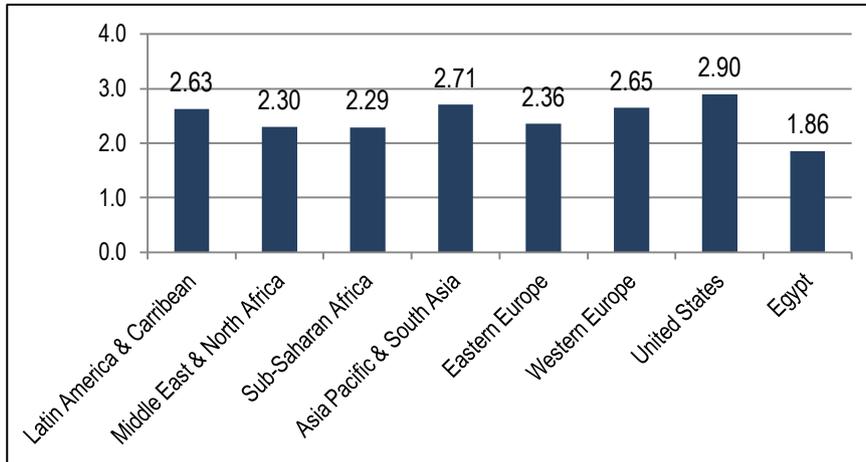
Experts' view on the contribution of this EFC to the development of entrepreneurship in their respective countries revealed the weakness of this EFC (Figure 56). Egypt ranked 54 on the availability and efficacy of its governmental support programmes for new and growing firms, with a mean score of 1.86.

#### Box 3. Governmental Programmes

In my country,

1. a wide range of government assistance for new and growing firms can be obtained through contact with a single agency.
2. science parks and business incubators provide effective support for new and growing firms.
3. there are an adequate number of government programmes for new and growing businesses.
4. the people working for government agencies are competent and effective in supporting new and growing firms.
5. almost anyone who needs help from a government programme for a new or growing business can find what they need.
6. government programmes aimed at supporting new and growing firms are effective.

Figure 56 Government Programmes – By Geographic Region – 2012

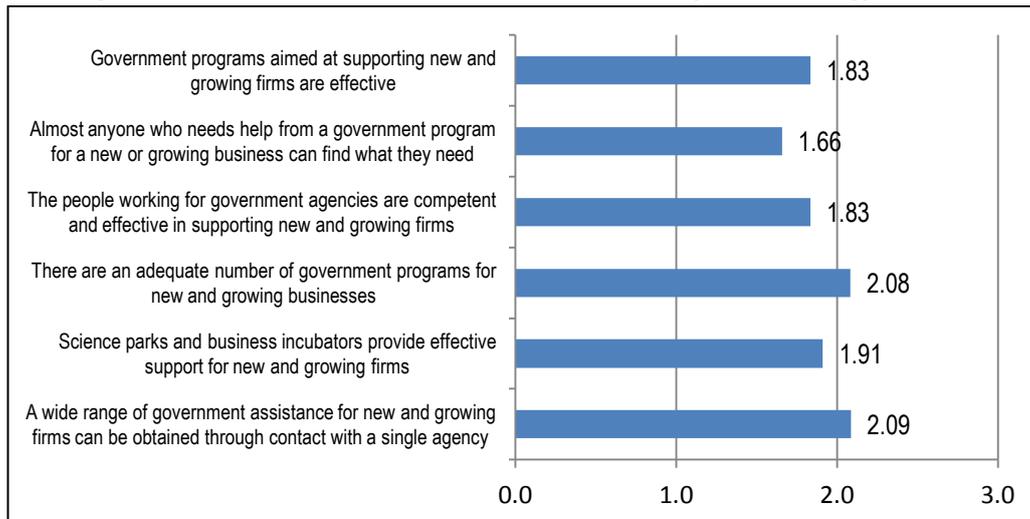


Source: NES Global 2012.

Exploring the national experts' views on this EFC reflects the weakness of Government programmes in supporting entrepreneurship in Egypt (Figure 57). The experts ranked the availability of help and assistance from any of the Government programmes designed to support new or growing firms as the lowest among the other 6 items that constitute this EFC with a mean score of 1.7 indicating its uselessness. Other items are not better perceived; experts believe that both the government programmes and people working in these programmes are ineffective and incompetent (with a mean score of 1.8). Moreover, they think that science parks and business incubators are ineffective and not playing the role expected from them in supporting the new and growing firms (with a mean score of 1.9).

Although the General Authority for Investment (GAFI) is offering a one stop shop (which aims at easing the way for investors and to facilitate and streamline procedures to establish companies and start-up businesses), and the Social Fund for Development (which is one of the primary governmental organisations supporting SMEs in Egypt) is offering support to new ventures, experts believe that Government is not efficient in providing assistance through contact with a single agency for the new and growing firms, with a mean score of 2.1. In general, experts see this EFC as a weak framework condition.

**Figure 57 Perceptions of the State of Government Programmes in Egypt – 2012**



Source: GEM NES Egypt, 2012.

#### 4. Education and Training

GEM defines entrepreneurship education as “the extent to which training in creating and managing new, small or growing business entities is incorporated within the education and training system at all levels”. It includes two sub-divisions – primary and secondary school entrepreneurship education and training; and post-school entrepreneurship education and training. The strength/weakness of this framework condition was assessed by the experts using six survey statements (Box 4).

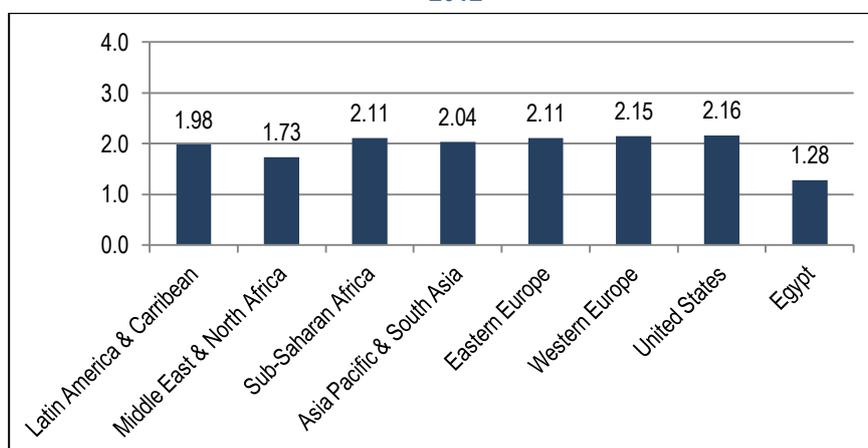
The majority of experts assessed the level of entrepreneurial education at the primary and secondary schools in their countries as a restraining factor. Egypt ranks last with a mean score of 1.28 (Figure 58).

#### Box 4. Education and Training

In my country,

1. teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative.
2. teaching in primary and secondary education provides adequate instruction in market economic principles.
3. teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.
4. colleges and universities provide good and adequate preparation for starting up and growing new firms.
5. the level of business and management education provide good and adequate preparation for starting up and growing new firms.
6. the vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms.

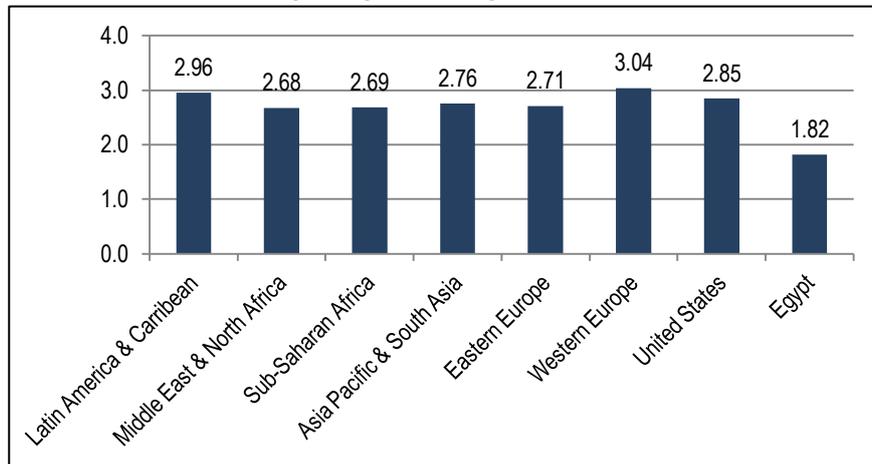
**Figure 58 Entrepreneurial Education at Primary and Secondary Schools – By Geographic Region – 2012**



Source: NES Global 2012.

The experts viewed, as well, the level of entrepreneurial education and training at the university/college or as part of vocational training negatively (Figure 59), with a low mean score (1.82). Both the mean scores are less than "2", implying that education and training is a weak factor in supporting entrepreneurship in the country.

**Figure 59 Entrepreneurial level of education at Vocational, Professional, College and University By Geographic Region – 2012**

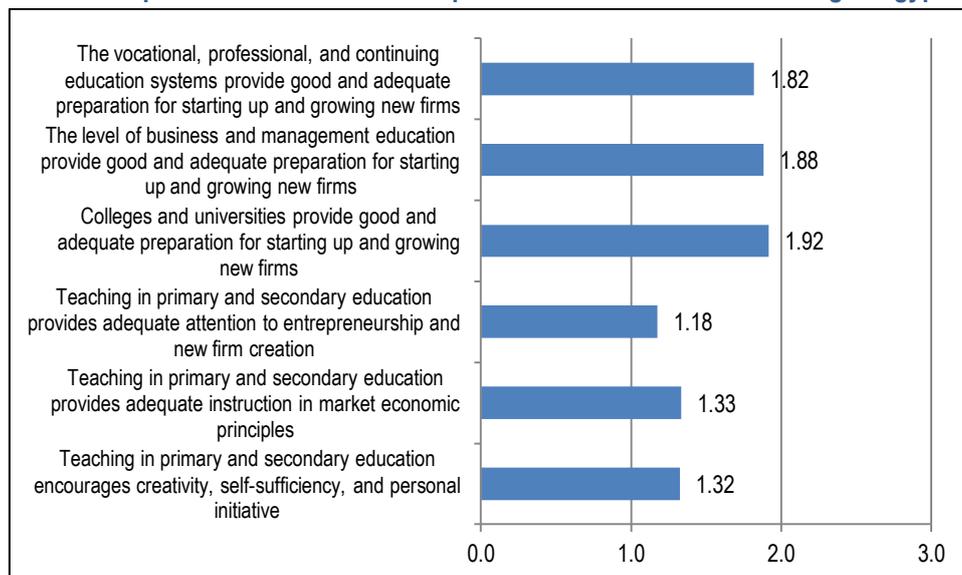


Source: NES Global 2012.

Egyptian experts described the level of education, whether at school or university as weak and insufficient to qualify people for the business start-ups (Figure 60). They believed that primary and secondary schools are neither encouraging creativity, self-sufficiency, and personal initiative nor providing adequate instruction in market economic principles nor providing adequate attention to entrepreneurship and new firm creation, with mean scores of 1.18, 1.32 and 1.33, respectively.

This view also extends to business and management education in specific and colleges/universities in general and the vocational education systems where the students are not exposed to/provided with the necessary preparations to start and grow a business (mean scores range between 1.82 and 1.92).

**Figure 60 Perceptions of the State of Entrepreneurial Education and Training in Egypt - 2012**



Source: GEM NES Egypt, 2012.

Again Egypt is ranked last among the GEM countries with respect to the adequacy of education and training for entrepreneurship; in 2010, it was ranked last among 53 countries, in 2008, it was ranked last among 31 countries. Some efforts already exist to expose young people and students to entrepreneurship organised by different entities, including the SFD, the International Labour Organisation (ILO), INJAZ-Egypt, an affiliate of Junior Achievement (JA), The Egyptian Junior Business Association (EJB) and the Middle East Council for Small Business and Entrepreneurship (MCSBE) that is an active player in promoting entrepreneurship among the youth in Egypt, through a series of activities and events organised at the national level, one of which is the Global Entrepreneurship Week. The MCSBE, through its affiliation with the ICSB, is seeking to establish entrepreneurship centres to act as incubators in Egyptian Universities, which are expected to promote an entrepreneurial spirit among students. In addition more universities are offering a specialisation in Entrepreneurship and Innovation, including the British University in Egypt and the American University in Cairo.

However, all of these efforts are not yet sufficient to promote entrepreneurship in the country and hence it is a priority to pay more attention to this area if the goal is to foster stronger entrepreneurial activity in Egypt.

### 5. R&D Transfer

Successful entrepreneurship depends heavily on innovation and research and development. GEM defines this crucial EFC as “the extent to which national research and development will lead to new commercial opportunities, and whether or not these are available for new, small and growing firms. Six statements were used to assess this EFC (Box 5).

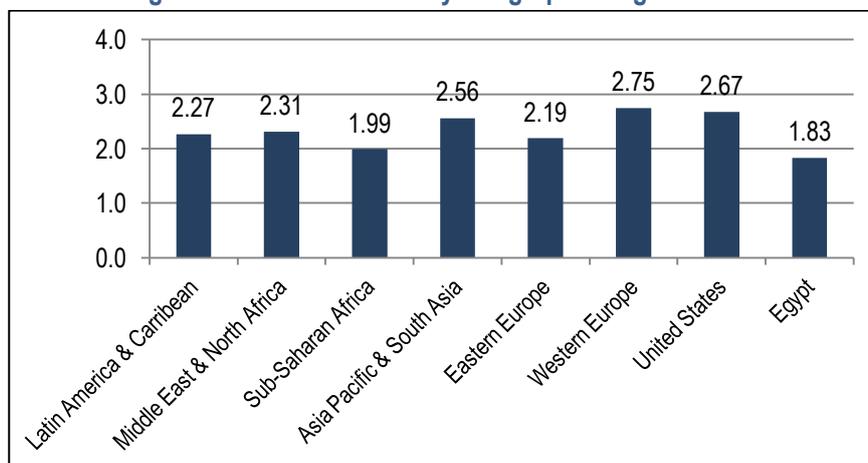
Experts’ views placed R&D scores below 3 in all the six geographic regions. In Egypt, the experts’ views ranked the country 68<sup>th</sup> with a mean score of 1.83 (Figure 61).

#### Box 5. R&D Transfer

In my country,

1. new technology, science, and other knowledge are efficiently transferred from universities and public research centres to new and growing firms.
2. new and growing firms have just as much access to new research and technology as large, established firms.
3. new and growing firms can afford the latest technology.
4. there are adequate government subsidies for new and growing firms to acquire new technology.
5. the science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area.
6. there is good support available for engineers and scientists to have their ideas commercialised through new and growing firms.

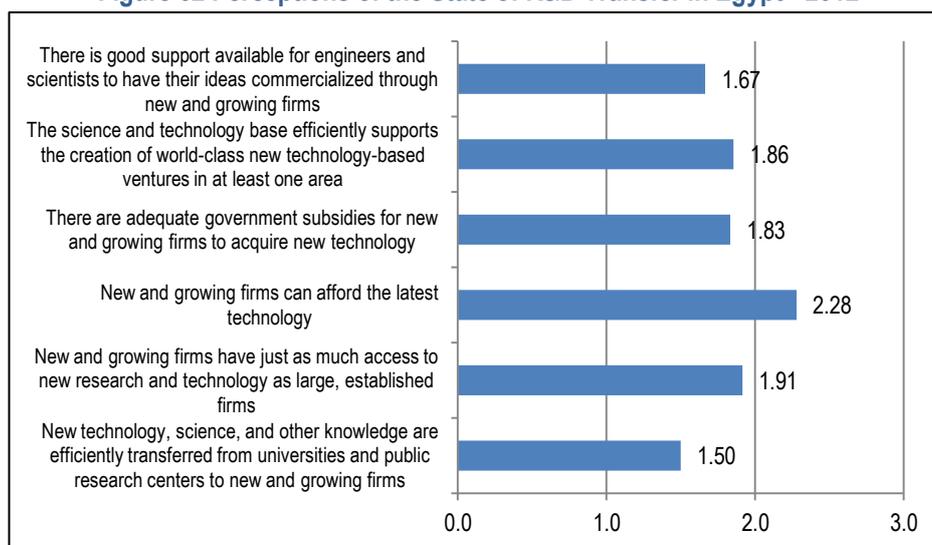
Figure 61 R&D Transfer – By Geographic Region – 2012



Source: NES Global 2012.

According to the national experts there is a lack of support available for engineers and scientists to have their ideas commercialised through the new and growing firms, which in turn, do not have as much access to new research and technology as the large and established firms. They also think that new and growing firms are deprived from the latest technology because: 1) the new technology, science and other knowledge are not efficiently transferred from universities and public research centres; 2) cost of latest technology is unaffordable; and 3) there are inadequate government subsidies to acquire new technology. Due to this, the base of science and technology in Egypt, in the experts' opinion, does not efficiently support the creation of world-class new technology-based ventures, in at least one area (Figure 62).

**Figure 62 Perceptions of the State of R&D Transfer in Egypt - 2012**



Source: GEM NES Egypt, 2012.

Egypt still lags far behind many other developing countries in R&D spending and research output; the country ranked 106 globally in terms of spending on scientific research and development in 2010-2011<sup>xxi</sup>, according to a report on scientific research and education published by the Information and Decision Support Centre.

Research & Development as education is to be one of the top priorities of the Government and entrepreneurship-support organisations to achieve the required economic growth, to promote better understanding on different aspects of life and to improve the standards of living.

### 6. Commercial and Services Infrastructure

Commercial and service infrastructure is another Entrepreneurial Framework Condition shaping entrepreneurial activity and is defined by GEM as “the presence of property rights and commercial, accounting, and other legal services and institutions that support or promote the emergence of small, new or growing business entities in any country”. The effect of this EFC on new and growing firms was explored using five statements (Box 6).

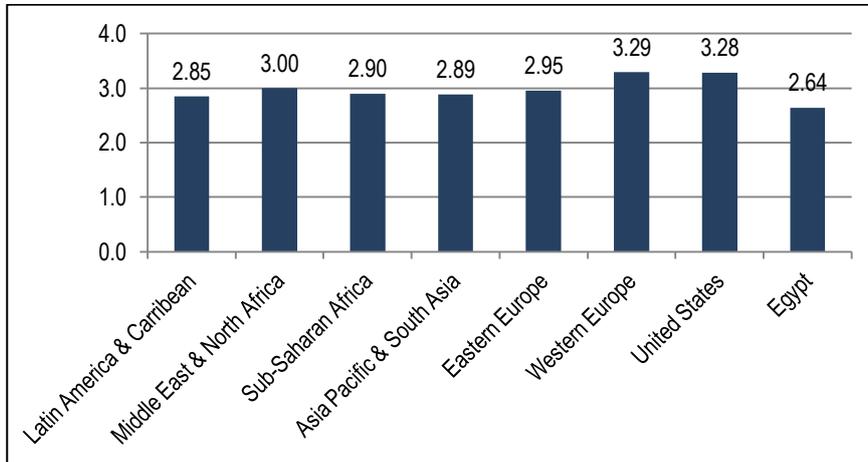
#### Box 6. Commercial & Services Infrastructure

In my country,

1. there are enough subcontractors, suppliers, and consultants to support new and growing firms.
2. new and growing firms can afford the cost of using subcontractors, suppliers, and consultants.
3. it is easy for new and growing firms to get good subcontractors, suppliers, and consultants.
4. it is easy for new and growing firms to get good, professional legal and accounting services.
5. it is easy for new and growing firms to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).

Experts' opinions on the strength of this EFC ranged across regions, yet it was to a certain degree close to neutral (i.e. not a hindering not a supporting factor the development of entrepreneurship), as the mean score was around 3 (Figure 63 ). Egypt ranked 66 with a mean score of 2.64.

**Figure 63 Professional and Commercial Infrastructure Access – By Geographic Region – 2012**



Source: NES Global 2012.

The mean score of this EFC is between 2 and 3, thus it cannot be viewed as a supporting factor to entrepreneurship in Egypt. Experts were fairly neutral about the availability of subcontractors, suppliers and consultants to support the new and growing firms; however these firms still cannot afford the cost of using them, thus finding it difficult to get good ones. Experts were somehow neutral as well about the ease of access to good banking, legal and accounting services, and the availability of subcontractors, suppliers and consultants and to a less extent accessing the professional legal and accounting services.

**Figure 64 Perceptions of the State of Commercial & Professional Infrastructure in Egypt - 2012**



Source: GEM NES Egypt, 2012.

## 7. Entry Regulations

Entry regulations is divided into two components: 1) Market Dynamics, which is the level of change in markets from year to year and deals with the opportunities for new and growing firms created from expanding markets for products and services; and 2) Market Openness (burden): the extent to which new

firms are free to enter existing markets and considers the barriers to market entry created by high entry costs and blocked competition. Both components were assessed through six statements (Box 7); statements 1-3 assess the market dynamics while statements 4-6 assess the internal market openness.

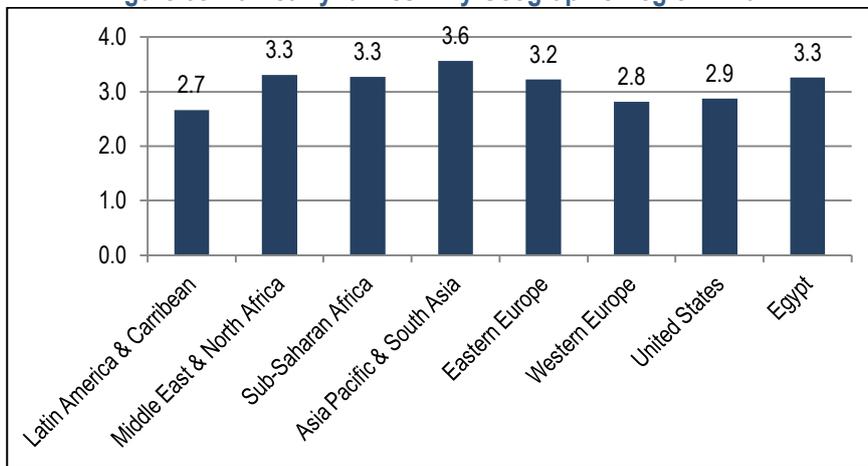
Experts' views of market dynamics in their corresponding countries varied; however, the cross-region comparison shows that experts in Middle East and Africa, Asia Pacific and South Asia and Sub-Sahara Africa rated this EFC higher than Western Europe and USA (Figure 65). Egypt ranks 24<sup>th</sup> among the 69 countries (mean score of 3.3).

**Box 7. Entry Regulations**

In my country,

1. the markets for consumer goods and services change dramatically from year to year.
2. the markets for business-to-business goods and services change dramatically from year to year.
3. new and growing firms can easily enter new markets.
4. the new and growing firms can afford the cost of market entry.
5. new and growing firms can enter markets without being unfairly blocked by established firms.
6. the anti-trust legislation is effective and well enforced.

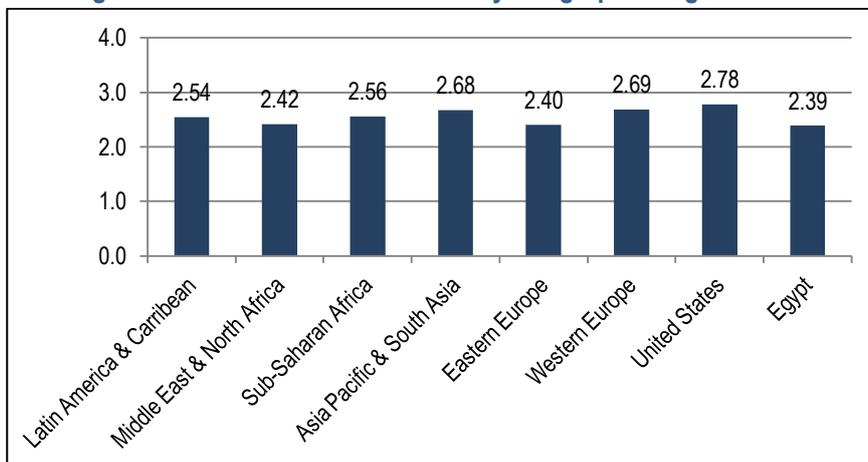
**Figure 65 Market Dynamics – By Geographic Region – 2012**



Source: NES Global 2012.

Regarding the market openness (burden), experts were less satisfied with this component in comparison to market dynamics; whereas responses' mean scores were between 2.87 and 2.4 which indicates that their perception of this component is somehow unfavourable to entrepreneurship, i.e. uneasy for new and growing firms to enter into new markets (Figure 66). Egypt ranks 51 with a mean score of 2.39.

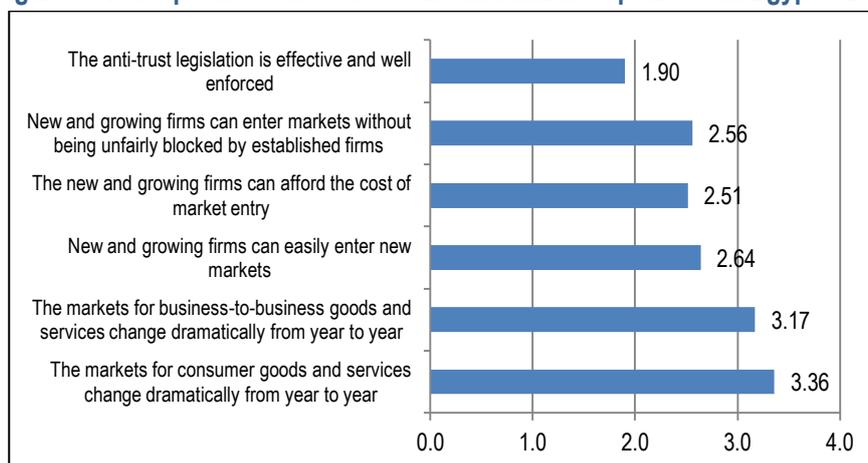
**Figure 66 Internal Market Burden – By Geographic Region – 2012**



Source: NES Global 2012.

The experts believe that the anti-trust legislation (which breaks up existing monopolies and prevents the formation of new monopolies in order to increase competition and societal welfare) is ineffective and not well enforced in Egypt (mean score of 1.9), thus creating entry barriers to the new and growing firms which are unfairly blocked by the established firms (mean score of 2.56). They also believe that new and growing firms in Egypt cannot easily enter new markets and that the cost of market entry is high; with mean scores of 2.51 and 2.64 respectively (Figure 67).

**Figure 67 Perceptions of the State of Internal Market Openness in Egypt – 2012**



Source: GEM NES Egypt, 2012.

On the other hand, the national experts felt that the markets for both business-to-business goods and services and consumer goods and services somehow changes from year to year, though not dramatically.

### 8. Accessibility of Physical Infrastructure

GEM describes the accessibility of physical infrastructure as ‘the ease of access to physical resources—communication, utilities, transportation, land or space—at a price that does not discriminate against new and growing firms’. This framework condition was assessed using 5 items (Box 8).

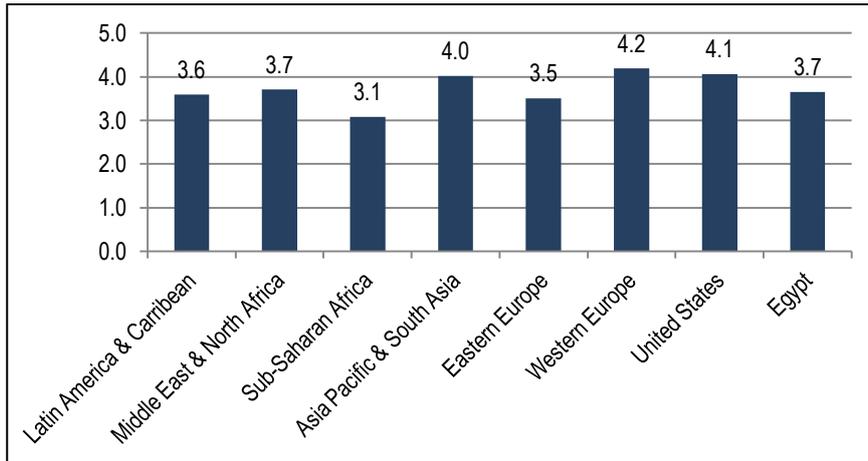
The national experts' views on this EFC ranged from neutral to considering this EFC a supporting framework condition for entrepreneurship (Figure 68). Egypt ranks 26<sup>th</sup>, with a mean score of 3.7 reflecting the fairly low positive perceptions of the Egyptian experts relative to those in other GEM countries.

#### Box 8. Physical Infrastructure

In my country,

1. the physical infrastructure (roads, utilities, communications, waste disposal) provides good support for new and growing firms.
2. it is not too expensive for a new or growing firm to get good access to communications (phone, Internet, etc.).
3. a new or growing firm can get good access to communications (telephone, internet, etc.) in about a week.
4. new and growing firms can afford the cost of basic utilities (gas, water, electricity, sewer).
5. new and growing firms can get good access to utilities (gas, water, electricity, sewer) in about a month.

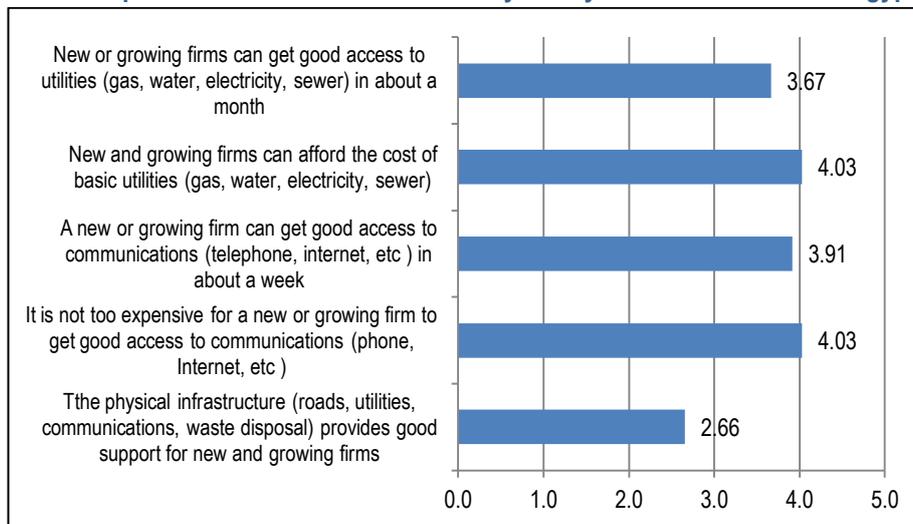
**Figure 68 Accessibility of Physical Infrastructure – By Geographic Region – 2012**



Source: NES Global 2012.

In Egypt, this EFC has the highest mean score (3.7) of the other eight EFCs, reflecting the role this EFC can play as a supporting factor to the new and growing firms. Egyptian experts held favourable views of the state of the physical infrastructure in the country – both in terms of affordability of basic utilities (water, gas, electricity and sewer) and communications (phone, internet) and the timely access to these utilities (Figure 69). They gave a somewhat lower assessment of the general support provided to new and growing firms by physical infrastructure, such as roads, communications, and waste disposal.

**Figure 69 Perceptions of the State of Accessibility of Physical Infrastructure in Egypt - 2012**



Source: GEM NES Egypt, 2012.

### 9. Social and Cultural Norms

The ninth framework condition impacting the level of entrepreneurship in any country is the social and cultural norms which are defined by GEM as “the extent to which social and cultural norms encourage or allow actions leading to new business methods or activities that can potentially increase personal wealth and income”. The degree to which cultural and

#### Box 9. Social and Cultural Norms

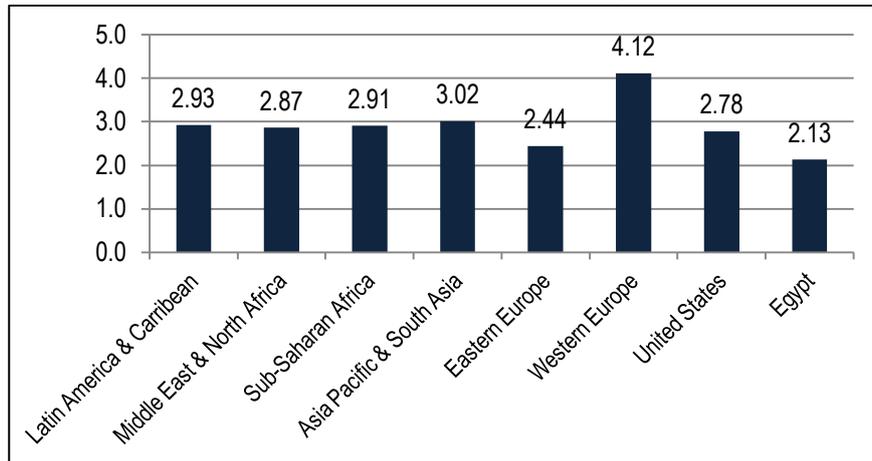
In my country,

1. the national culture is highly supportive of individual success achieved through own personal efforts.
2. the national culture emphasises self-sufficiency, autonomy, and personal initiative.
3. the national culture encourages entrepreneurial risk-taking.
4. the national culture encourages creativity and innovativeness.
5. the national culture emphasises the responsibility that the individual (rather than the collective) has in managing his or her own life.

social norms foster entrepreneurial attributes and attitudes and favour entrepreneurship was assessed using five statements (Box 9).

Except for Western Europe, experts in the other five regions did not have a positive perception of the strength of this EFC in supporting entrepreneurship in their countries (figure 70). On this EFC, Egypt ranks 51<sup>st</sup>, with a mean score of 2.13, indicating that the Egyptian experts think this is a weak EFC.

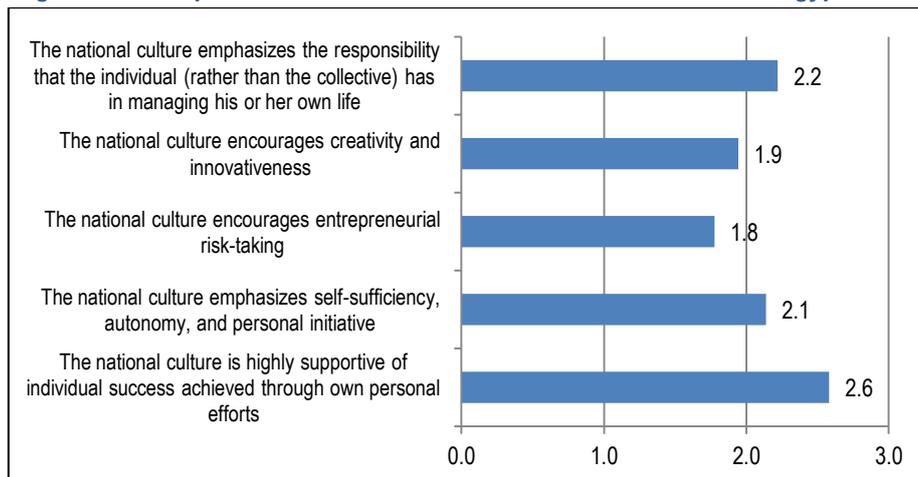
**Figure 70 Social and Cultural Norms – By Geographic Region – 2012**



Source: NES Global 2012.

The national experts' responses confirmed the negative impact of national culture on entrepreneurial risk taking (mean score 1.8) and encouraging creativity and innovativeness (mean score 1.9) and, to a lesser extent, its emphasis on nurturing self-sufficiency, autonomy and personal initiative and holding the individual responsible for managing his/her own life (mean score 2.1 and 2.2 respectively ) (Figure 71). In general, Egyptian experts believed that the national culture is not supportive of individual success being achieved through own personal efforts (mean score 2.6).

**Figure 71 Perceptions of the State of Social and Cultural Norms in Egypt – 2012**



Source: GEM NES Egypt, 2012.

## Experts' Views on other Aspects of the Entrepreneurial Environment in Egypt

The national experts were asked, as well, to present their views on other supporting factors to the entrepreneurial environment in their respective countries. This section presents findings on Egyptian experts' views on some of these aspects.

### Entrepreneurship and Youth

Egypt is endowed with a large youth population which gives the country its entrepreneurial advantage if well supported and nurtured. GEM uses two age categories to define youth: 1) the percentage of population aged 14-20 years; and, 2) the percentage of population aged 21-34 years (or young adults). To complement the results of the Adult Population Survey concerning the youth entrepreneurship, experts were asked to evaluate this entrepreneurial framework. This factor was assessed using fifteen statements (Box 10).

With regard to youth aged 14-20 years old, experts' believed that the governmental programmes dedicated to train and support are inadequate and not sufficient to qualify the youth for such a career path, with a mean score of 1.82 (Figure 72). Although experts believed that youth have, to some

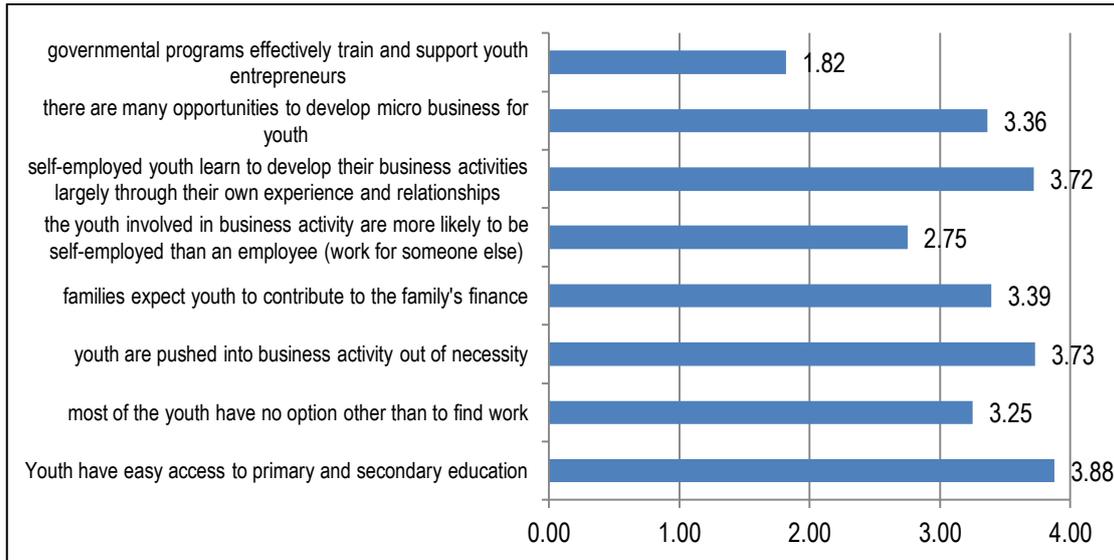
extent, an easy access to primary and secondary education (mean score 3.88), they believed that self-employed youth depend more on learning to develop their business activities somehow through their experience and relationships (mean score 3.72). On the other hand, experts think most of the Egyptian youth start their own businesses because they have no option for work (mean score 3.25) and that they are pushed into business activity out of necessity (3.73) and to contribute to the family's finance.

#### box 10 entrepreneurship and youth

in my country,

1. youth have easy access to primary and secondary education.
2. most of the youth have no option other than to find work.
3. youth are pushed into business activity out of necessity.
4. families expect youth to contribute to the family's finance.
5. the youth involved in business activity are more likely to be self-employed than an employee (work for someone else).
6. self-employed youth learn to develop their business activities largely through their own experience and relationships.
7. there are many opportunities to develop "micro business" for youth.
8. conflict situations form a substantial barrier for youth/young adults to start and grow a business.
9. the young adults are significantly involved in entrepreneurship.
10. youth and young adults face greater constraints to entrepreneurship relative to the general adult population.
11. there is an adequate system of business incubators that can be accessed by young adults.
12. most of young adults that become entrepreneurs have been helped to start up by their families, close relatives or friends.
13. financiers (banks, informal investors, business angel..) fund young adults business initiatives
14. micro-credit facilities for young adults to start a business are efficient
15. the young adults consider life/work opportunities outside the country to be more attractive

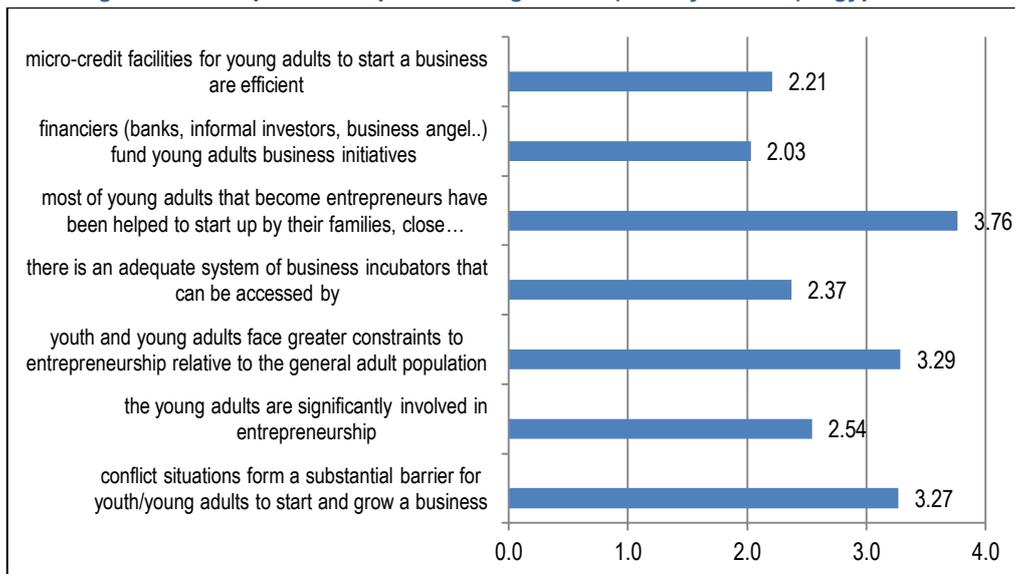
**Figure 72 Entrepreneurship and Youth (14-20 years old), Egypt - 2012**



Source: GEM NES Egypt, 2012.

Issues faced by young adults (aged 21-34), according to the experts are somehow different than those faced by youth aged 14-20 years old (Figure 73). Experts think that finance is one of the main constraints facing young adults, and that the available funds to start a business whether from microcredit facilities and financiers (banks, informal investors, business angels, etc..) are insufficient. The experts, as well, are not satisfied with business incubators in terms of their inadequate access system. However, they were less critical of other conditions; in their opinion, young adults are less likely to face greater constraints to entrepreneurship relative to the general adult population or to be stopped by conflicting situations from starting and growing their businesses. Expert think that the support received by the young adults who became entrepreneurs from their families, close relatives and friends somehow helped them to start their businesses.

**Figure 73 Entrepreneurship and Young Adults (21-34 years old), Egypt - 2012**



Source: GEM NES Egypt, 2012.

### Support to women

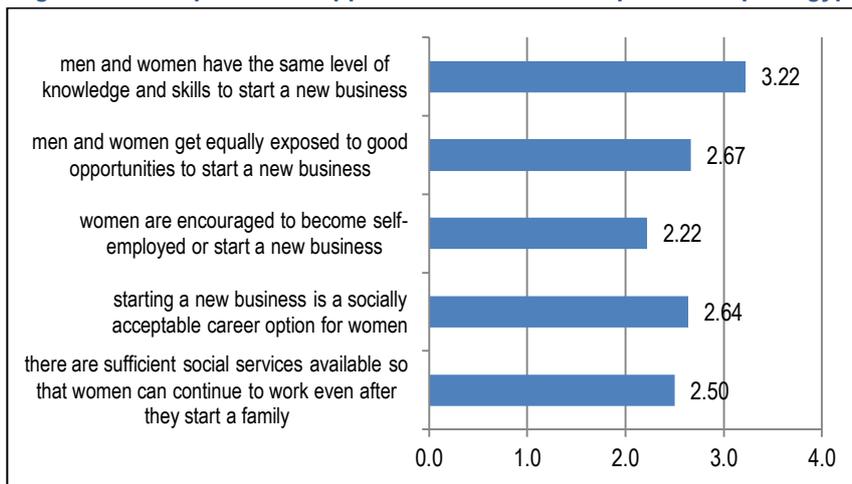
As the APS findings revealed, Egyptian women are less likely to pursue entrepreneurship, not only compared to their fellow men but women in other economies. Many studies have examined the reasons behind women's reluctance to be entrepreneurially active. In general, women are faced with additional and specific difficulties relative to their male counterparts linked to their social, educational or experience and training background, in addition to the discriminatory practices exercised against them.

In the opinion of experts, women are neither encouraged to become self-employed nor to start a new business nor are there sufficient social services available so that women can continue to work even after they start a family (Figure 74). Moreover, experts think that starting a new business is a socially unacceptable career option for women. On the other hand, the experts believe that both men and women have the same level of knowledge and skills to start a new business.

**Box 11. Women's support to start up**  
 In my country,

1. There are sufficient social services available so that women can continue to work even after they start a family.
2. Starting a new business is a socially acceptable career option for women.
3. Women are encouraged to become self-employed or start a new business.
4. Men and women get equally exposed to good opportunities to start a new business.
5. Men and women have the same level of knowledge and skills to start a new business.

**Figure 74 Perceptions of Support for Women's Entrepreneurship in Egypt**



Source: GEM NES Egypt, 2012.

### Attention to high growth firms

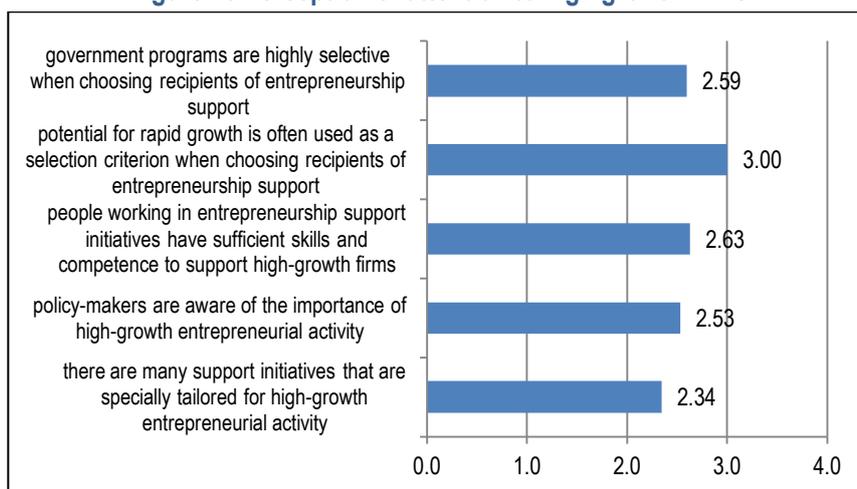
A high-growth firm is defined as a firm with an average employment growth rate exceeding 20 per cent per annum over a three-year period and with ten or more employees at the start of the period<sup>xxii</sup>. This type of businesses is receiving increasing attention for their significant contribution to employment, new innovations and economic growth. However, there are so few of them in the Egyptian economy<sup>xxiii</sup>. Experts were asked to assess the attention given to high growth firms in Egypt using five sentences (Box 12).

**Box 12. Attention to high growth firms**  
 In my country,

1. There are many support initiatives that are specially tailored for high-growth entrepreneurial activity.
2. Policy-makers are aware of the importance of high-growth entrepreneurial activity.
3. People working in entrepreneurship support initiatives have sufficient skills and competence to support high-growth firms.
4. Potential for rapid growth is often used as a selection criterion when choosing recipients of entrepreneurship support.
5. Supporting rapid firm growth is a high priority in entrepreneurship policy.

Experts think that there are inadequate support initiatives that are specially tailored for high-growth entrepreneurial activity (mean score 2.34) (Figure 75) this can be attributed to lack of awareness of the importance of high growth firms (mean score 2.53), and the people working in entrepreneurship support initiatives do not have sufficient skills and competence to support those firms (mean score 2.63). However, experts were neutral in their rating of “potential for rapid growth is often used as a selection criterion when choosing recipients of entrepreneurship support” (mean score 3) especially as they think that government programmes are not highly selective when choosing recipients of entrepreneurship support (mean score 2.59).

**Figure 75 Perception of attention to high growth firms**



Source: GEM NES Egypt, 2012.

### Interest in Innovation

Adults Population Survey results showed a low level of innovation in Egypt (Table 8); while the national experts in their assessment of the nine framework conditions considered the level of R&D as unsatisfactory and described this framework condition as weak and not contributing to the development of entrepreneurship in Egypt. To complement the analysis, the experts were asked to evaluate the interest in R&D using six statements (Box 13).

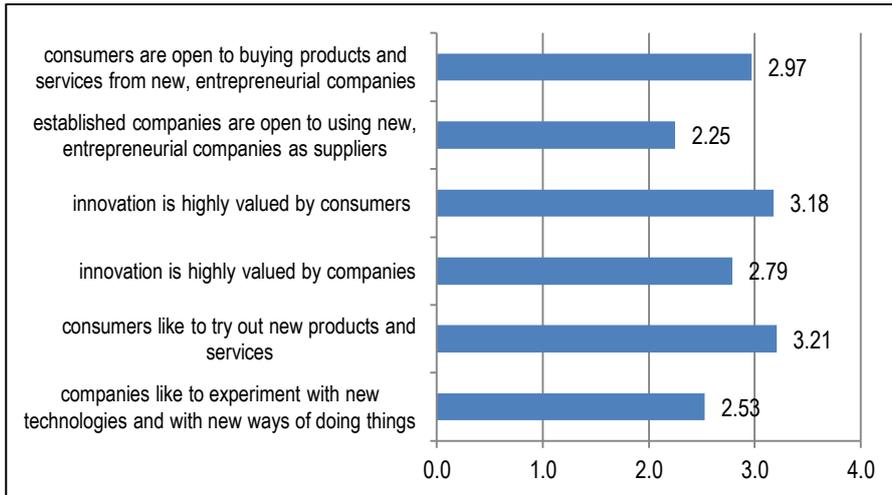
#### Box 13. Interest in Innovation

In my country,

1. there are many support initiatives that are specially tailored for high- companies like to experiment with new technologies and with new ways of doing things.
2. consumers like to try out new products and services.
3. innovation is highly valued by companies.
4. innovation is highly valued by consumers.
5. established companies are open to using new, entrepreneurial companies as suppliers.
6. consumers are open to buying products and services from new, entrepreneurial companies

In experts' opinion, innovation is valued more by customers than by companies (mean scores 3.21 and 2.79, respectively) (Figure 76). Consumers are more likely to try out new products and services (mean score 3.21) or to buy products and services from new entrepreneurial companies (mean score 2.97). However, established companies are neither open to using the new entrepreneurial companies as suppliers (mean score 2.25) nor like to experiment with new technologies and with new ways of doing things (mean score of 2.53), indicating that they are not interested in innovation nor entrepreneurship.

**Figure 76 Perception of Interest in Innovation**



Source: GEM NES Egypt, 2012.

**Opportunities to Start Up**

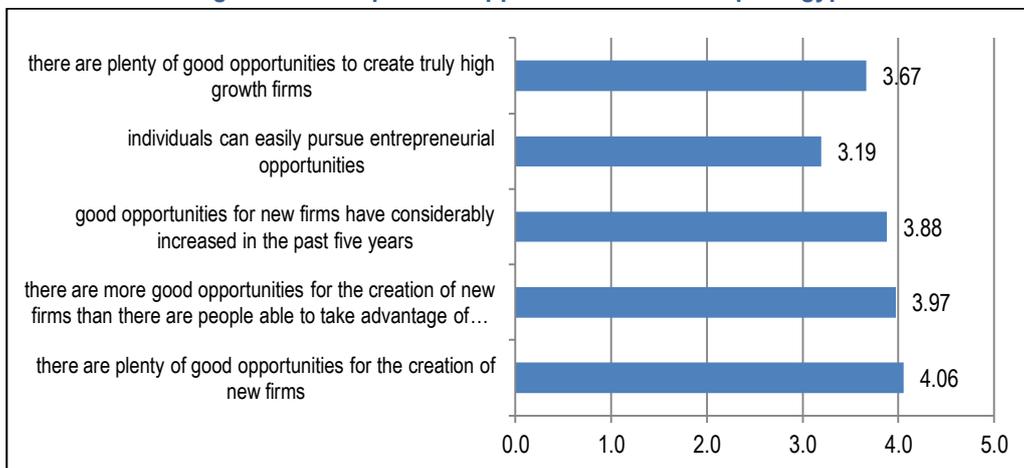
Entrepreneurship is about identifying an opportunity to create a business; whether the entrepreneur is “pushed” or “pulled” into entrepreneurship. The availability of start-up opportunities was assessed by experts using five statements (see Box 14).

**Box 14. Opportunities to start up**  
 In my country,

1. there are plenty of good opportunities for the creation of new firms.
2. there are more good opportunities for the creation of new firms than there are people able to take advantage of them.
3. good opportunities for new firms have considerably increased in the past five years.
4. individuals can easily pursue entrepreneurial opportunities.
5. there are plenty of good opportunities to create truly high growth firms.

Experts’ perception of opportunities to start up in Egypt is relatively positive (Figure 77) and matches the adult population’s perception of the availability of good opportunities to start businesses in the coming period (Table 2). The experts viewed the availability of good opportunities for the creation of new firms as a strong supporting condition for entrepreneurship with a mean score of 4.06 and believed that there are more good opportunities for the creation of new firms than there are people who are able to make advantage of them (mean score 3.97). In their opinion good opportunities for new firms have considerably increased in the past five years (mean score 3.88), but unfortunately individuals cannot easily pursue them (mean score 3.19).

**Figure 77 Perception of Opportunities to start up in Egypt**



Source: GEM NES Egypt, 2012.

### Abilities and Knowledge to Start Up

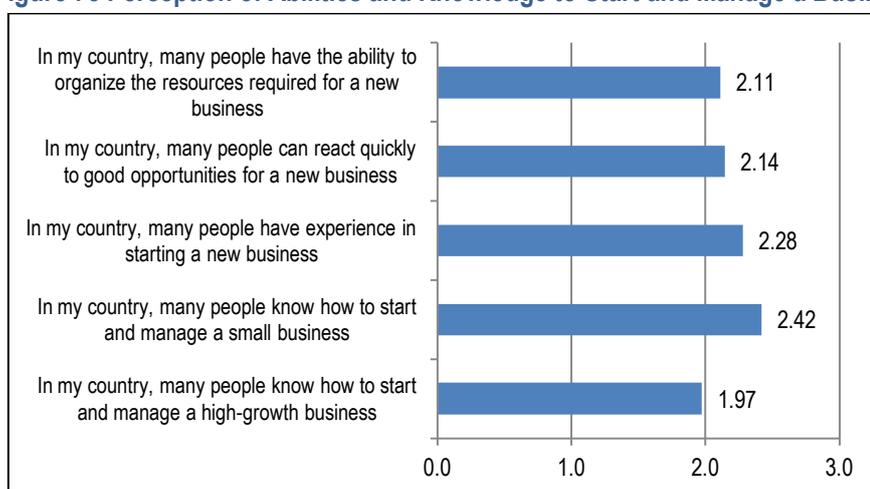
Another factor that was evaluated by experts is people's abilities and know-how to start a new venture. This factor was assessed using 5 statements (see Box 15).

Despite experts' positive assessment of opportunities available for starting up businesses, they do not believe that many Egyptians are equipped with the knowledge and ability to start and manage a business regardless of its size (Figure 78) and even less of them know how to do this for a high-growth business. They also rated the ability of the population to react quickly to good opportunities and their ability to organise resources for a new business as very low.

#### Box 16. Abilities and Knowledge to Start Up

- In my country,
1. many people know how to start and manage a high-growth business.
  2. many people know how to start and manage a small business.
  3. many people have experience in starting a new business.
  4. many people can react quickly to good opportunities for a new business.
  5. many people have the ability to organize the resources required for a new business

**Figure 78 Perception of Abilities and Knowledge to Start and Manage a Business in Egypt**



Source: GEM NES Egypt, 2012.

### Experts' Views and Recommendations on Areas Constraining and Fostering Entrepreneurial Activity in Egypt

The last part of the National Experts Survey included open ended questions where the national experts were asked to identify three areas/issues constraining entrepreneurial activity and three areas/issues fostering entrepreneurial activity in Egypt, and to suggest three recommendations to improve them. The experts' responses are presented in Tables 10 and 11, while recommendations are introduced in Table 12<sup>6</sup>.

With regard to the constraining factors, the lack of financial solutions was the top of the areas hindering entrepreneurship in Egypt (Table 10), especially lack of innovative and non-traditional mechanisms, for example, money from angel investors, venture capital companies or Islamic finance tools. Not only inability to secure the required funds, but the entrepreneurs suffered from high interest rates and the amount of collateral required in order to obtain this loan from banks. The education and training systems at all levels; primary and secondary schools, universities and vocational training centres, is in the

<sup>6</sup> Factors (constraining and fostering) and recommendations are listed in descending order according to number of mentions by experts

experts' opinion another main obstacle and was believed to inhibit creativity, innovation and entrepreneurship. Lack of business development services, whether managerial, technical, legal, etc.. is another main obstacle facing the Egyptian entrepreneurs, followed directly by lack of coherent, clear and comprehensive policies, labour law, bankruptcy laws, taxations, equity sharing laws, copy right laws etc..

Other factors that hinder the growth and development of entrepreneurial activities in Egypt are, a risk aversion and non-supportive culture to self-employment, lack of information available to new start-ups in terms of regulations, available sources of funds, business opportunities, etc., corruption, bureaucracy and lack of accessible mentorship and coaching programmes.

**Table 10. Areas Constraining Entrepreneurial Activity in Egypt - Experts' Opinions**

1.	Lack of financial solutions (i.e. Islamic finance, angel investors, venture capital companies)
2.	Inefficient Education and Training systems (at primary and secondary schools, universities and vocational training centres) that inhibit creativity and innovation and hinder entrepreneurship
3.	Lack of non-financial and business supporting services (managerial, technical, legal..etc), either through business incubators or dedicated programmes
4.	Lack of coherent, clear and comprehensive policies, labour law, bankruptcy laws, taxations, equity sharing laws, copy right laws etc..
5.	Non-supportive national and risk aversion culture
6.	Lack of Information available to new start-ups.
7.	Corruption.
8.	Government bureaucracy – difficult and costly to get through the red-tape to obtain licences and permits
9.	Lack of mentorship and coaching to new start-ups
10.	Others (lack of innovation, gender discrimination, Lack of a Ministry for entrepreneurship and entry barriers)

Despite of these constraints, the national experts believed that there are many factors that work in the direction of fostering and encouraging entrepreneurship in Egypt (Table 11). Top of these fostering factors is the initiatives that have been launched over the last few years targeting all Egyptians, not only in Cairo and Alexandria, but in other governorates as well, with special focus on youth; aiming at raising awareness of entrepreneurship and encouraging individuals to become entrepreneurs themselves. Although lack of funding was identified as a constraint, for some of experts finance is perceived as a fostering factor through the availability of new funds and banking tools. Equally an important factor working towards enhancing the level of entrepreneurship in the country is the introduction of entrepreneurial education and training in several public and private universities; yet the impact of these programmes has not fully materialised. A well-educated and enthusiastic young population which is eager to learn, develop and work for a better future is one of Egypt's greatest assets and an important factor for the development of entrepreneurship in the country. Other fostering factors include the increase of interest and awareness of the policy makers of the importance of entrepreneurship to economic development, which has led to development of programmes tailored to support Egyptian entrepreneurs (like Bedaya Centre for Entrepreneurship and SME Development established by General Authority for Investment and the growing number of business incubators and accelerators that have led to improving technological entrepreneurship especially businesses built on mobile applications and websites).

**Table 11. Areas Fostering Entrepreneurial Activity in Egypt - Experts' Opinions**

1.	Initiatives to promoting entrepreneurship and the increase in the number of events (business plan competitions, seminars, networking events, Global entrepreneurship week) aiming at raising awareness for entrepreneurship.
2.	Availability of new funds and banking tools (especially the joint venture and private equity)
3.	More schools and universities are offering entrepreneurial education and training
4.	A well-educated enthusiastic young population
5.	Increasing awareness at the policy makers' level on the importance of entrepreneurship to economic development.
6.	Increasing number of business incubators and accelerators that led to improving technological entrepreneurship
7.	Cheap infrastructure
8.	Demanding consumers which leads to increasing business opportunities
9.	Government policies and agreements with International markets (easing entrance of foreign markets to help technology transfer and innovation)
10.	Expanding in the use of Social media to promote entrepreneurship especially among the younger populations

Table 12 presents the recommendations offered by the experts to make the Egyptian context more conducive for entrepreneurship and overcome all the constraints & obstacles facing entrepreneurs.

Since finance and education were classified as the top constraining factors, hence the first and second recommendations were focusing on transforming constraints into conducive factors. The first recommendation called for reforming the education system at all levels (schools and universities) and training programmes to promote entrepreneurship, equip recipients with the necessary tools and knowledge to start a business and encourage creative and innovative thinking. The second recommendation focused on introducing and supporting innovative and unconventional financial means, accessible by all entrepreneurs to meet their needs, whether through banks, angel investors, incubators or government.

Many of experts called for the creation of a unified government authority, i.e. Ministry of Entrepreneurship and SMEs development, to streamline all efforts and initiatives by the different parties, make laws pertinent and in favour of entrepreneurship and act as an advocate for the development of SMEs, not only through finance, but also research, performance assessment, and other activities. Experts also stressed the importance of transforming the local culture from risk aversion and anti-self-employment into accepting risk and self-employment as a career choice through introducing the success stories of Egyptian entrepreneurs. Consistent with experts' opinion of the programme policies as a weak framework condition, they recommended reviewing the laws and regulations, especially related to bankruptcy, corruption and bureaucracy. Experts also drew attention to entrepreneurs and start-ups in governorates, other than Cairo and Alexandria, and recommended directing efforts to them through establishing business and support centres, developing infrastructure and creating a one-stop shop in these governorates.

**Table 12. Experts' Recommendations to Improve the Level of Entrepreneurial Activity in Egypt**

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1.	Reform the education system and vocational training programmes to encourage creativity and innovation and promote entrepreneurship
2.	Introduce and support unconventional financial means tailored to secure funding to meet the entrepreneurs' needs whether from banks, government, and private sector. Establish a one organization, i.e. Ministry of Entrepreneurship and SMEs
3.	development, to support entrepreneurship in Egypt while facilitating and coordinating with the other supportive organizations and programmes
4.	Transform the national culture to accept and support self-employment through the promotion of good practices and successful entrepreneurs Review laws and regulations, Increase anti-corruption measures and reduce
5.	bureaucracy; hence Improve government policies to encourage starting a new business.
6.	Creating Entrepreneurship Centres and business incubators in the universities and higher education institutions and connecting these centres with the Industry Focus on entrepreneurs and start-ups in governorates other than Cairo and
7.	Alexandria through establishing business and support centres, developing infrastructure and creating a one-stop shop in these governorates.

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## **Conclusions and Implications**

Since January 2011, Egypt has gone through a transition phase resulting from the ousting a 30 years political regime. This phase has been characterised by unrest and uncertainty yet hope for a better future. Due to the nature of this phase and its implications, the economy has witnessed a case of downturn. In such circumstances, entrepreneurship can serve well as an alternative for unemployment, a source of income and means of developing both economic and human capital. The GEM Egypt 2012 report revealed interesting yet important insights on the state of entrepreneurship in Egypt post the 2011 revolution; while experts provided vital recommendations to enhance the level of entrepreneurship in the country. The rest of this subsection combines both the results from the Adults Population Survey and recommendations made by the national experts.

### **1. Egyptian adults have a positive perception and attitudes towards entrepreneurship, high entrepreneurial intentions and a moderate fear of failure.**

As a factor-driven economy, Egypt enjoys a higher level of entrepreneurial attitudes and orientation than most efficiency and innovation economies. In order to increase the size of Egypt's pool of potential entrepreneurs, efforts should be made to increase the entrepreneurial intentions, through:

- i.* Launching a national campaign to change the national culture to be more entrepreneurially receptive and encouraging. The campaign has to focus on success stories of Egyptian entrepreneurs, entrepreneurship initiatives, the benefits of self-employment and the importance of entrepreneurship to build the country's economy.
- ii.* Establishment of entrepreneurship centres in universities and schools to increase awareness among youth about the importance of self-employment, delivering training on how to start a business and providing instructions and advice on optimal ways to run and manage a business.

### **2. Of the Egyptian population between 18-64 years old, 11.98% were involved in entrepreneurial activities, creating, owning and managing, approximately, 3.5 million enterprises, while more than 40% had the intention to start their own businesses within the coming three years. Moreover, the national experts believed that there were plenty of good opportunities for the creation of new firms.**

For a country in a transition period, with a degree of uncertainty about the future, the percentage of entrepreneurially active adults is somehow promising; however, it remains low considering the positive attitudes towards entrepreneurship that Egyptian adults have and the existence of opportunities to start new businesses. Thus to increase the level of entrepreneurial activity in Egypt, especially the early stage entrepreneurship, it is important to direct efforts to improve education, finance and government policies and programmes.

#### **❖ Education:**

- i.* Reform education and vocational training systems to encourage and foster creativity and innovation and to equip the recipients with the knowledge, skills and experience required to start a new business.
- ii.* Introduce and integrate entrepreneurship curricula in the education system to prepare youth at an early stage for the business world.

❖ *Finance*

- i.* Introduce and support unconventional financial means, for example business angels, venture capital and private equity.
- ii.* Provide incentives for banks and other financial institutions to support new start-ups and growth firms, for example through tax deductions.
- iii.* Review the regulations of banks and other financial institutions to allow for more flexibility when dealing with new start-ups and growth firms, for example, applying and granting loans against collateral.
- iv.* Create a network of banks, financial institutions and angel investors to work together in order to create a system that encourages financing new businesses and influence Governmental regulations related to funding start-ups and growth firms.

❖ *Government policies and programmes:*

- i.* Establish a single institution/authority that can play the role of supporting entrepreneurship in Egypt and can facilitate and coordinate with the other supportive organisations/programmes, for example a Ministry of Entrepreneurship.
- ii.* Tailor the laws and regulations to support and fulfil the needs of entrepreneurial activities. For example, reduce the tax burden, further streamline procedures for starting a business, and reduce bureaucratic, legal and regulatory barriers (and costs) for the newly start-up and established firms.
- iii.* Develop “One Stop Shops” across the governorates of Egypt to make the business registration process easier and faster and to reduce the bureaucracy and regulatory burdens.
- iv.* Introduce several initiatives to develop and support Egyptian entrepreneurs, including advisory support, training programmes, financing opportunities, technical support, etc., through the various governmental agencies in the different governorates.

**3. *Egyptian entrepreneurs were motivated by necessity rather than pursuit of an opportunity to start their own enterprises.***

Unlike most factor-driven economies participating in GEM 2012 cycle, the main motive for Egyptians to turn into entrepreneurship is the necessity. This is an expected result given the conditions of the country after the revolution, where there was an economic slowdown. However, to reap the full benefit of entrepreneurship, adults should be encouraged to seek opportunities and build ventures around them rather than thinking of starting their own businesses only when there is no other option for employment especially that entrepreneurship is not limited to a specific age category, household income or educational attainment. This can be achieved by:

- i.* Promoting the role of entrepreneurship to achieve economic prosperity to both individual and society and hence assigning value and high social status to starting up a business.
- ii.* Increasing the number of business incubators and accelerators and developing their role to provide information and training on creating new ventures, funding start-ups and growth

firms, connecting potential and new entrepreneurs with mentors and experts to share knowledge and giving access to regional and international markets.

- iii.* Launching programmes to link potential and established entrepreneurs to public and private sectors. These programmes serve to fulfil the needs of new entrepreneurs in a timely and affordable manner and support established businesses in ways that will enhance their continuity
- iv.* Celebrate and expand in organising the various entrepreneurial initiatives, for example start-up weekends and Global Entrepreneurship Week, to increase the initiatives outreach and influence, not only in the main governorates of Egypt but to cover the whole country.

#### **4. *Egyptian women continue to be underutilised source of entrepreneurial potential.***

Egyptian women's participation in entrepreneurship remains very low; not only this but the difference between the two genders is significant. Women represent only 14% of all the Egyptian entrepreneurs although share the positive attitude towards entrepreneurship with men. However, women, have a higher fear of failure and are motivated by necessity rather than opportunity to start their own businesses. Women constitute half of the population in Egypt; hence, if their entrepreneurial intentions and potential are supported and encouraged by different parties more fully, they will represent a considerable economic force. This can be achieved by:

- i.* Launching awareness campaigns to address and inform the public of the social and cultural impediments facing women who would like to start their own business. These campaigns serve as well to articulate women's entrepreneurship as an economic issue rather than as a gender or social issue and recognising their contribution to the economic and social development of the country.
- ii.* Promoting entrepreneurship for women as a desirable career choice allowing them to achieve balance between the different roles expected from them while realising their potential.
- iii.* Launching special and dedicated programmes to mentor and coach women on starting up businesses and transferring the knowledge and skills needed to develop business ideas and new ventures.
- iv.* Establishing financial intermediaries or special loan products dedicated to providing loans to women (e.g. less rigid collateral requirements, tailored payback mechanisms).

#### **5. *Innovation is not a priority for Egyptian entrepreneurs.***

The majority of Egyptian entrepreneurs showed little interest in offering new products/services or utilizing the latest technologies in their operation; moreover they are not planning to undergo any major technology-based expansion. This lack of interest in innovation is accompanied by the perception of National experts of the status of research and development in Egypt pertinent to innovation and technology as weak and inefficient in supporting new and growing firms. The situation has to be reversed in order to achieve the intended results from entrepreneurship; this can be done through:

- i.* Adoption of a national policy to leverage the level of research and development in Egypt.

- ii.* Collaboration between the private and public sectors to establish a fund that can be used by new and growing firms to secure financing for the acquisition of the latest technologies or to develop new technologies with market potential.
- iii.* Establishing centres to connect universities and research centres with industry to transfer technologies developed in these centres to new and growing firms in affordable prices.

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## Annex 1. GEM2012 National Teams – Global

Team	Institution	Financial Sponsors	APS Vendor
<b>Algeria</b>	CREAD	German Development Cooperation (Deutsche Gesellschaft fuer Internationale Zusammenarbeit, GIZ)	
<b>Angola</b>	Sociedade Portuguesa e Inovação (SPI) Centro de Estudos e Investigação Científica (CEIC) of the Universidade Católica de Angola (UCAN)	BFA – Banco de Fomento Angola, S.A.R.L. IDRC - International Development Research Centre	SINFIC, Sistemas de Informação Industriais, S.A.
<b>Argentina</b>	IAE - Business School	Banco Santander Rio	MORI Argentina
<b>Austria</b>	FH Joanneum	Wirtschaftskammer Österreich Wirtschaftskammer Steiermark Wirtschaftskammer Oberösterreich Wirtschaftskammer Niederösterreich Wirtschaftskammer Wien Wirtschaftskammer Kärnten Wirtschaftskammer Salzburg Wirtschaftskammer Burgenland Wirtschaftskammer Tirol Wirtschaftskammer Vorarlberg	OGM Gesellschaft für Marketing Ges.m.b.H.
<b>Barbados</b>	The Cave Hill School of Business, The University of the West Indies	International Development Research Centre (IDRC) First Citizens Bank Ltd	Systems Consulting Ltd.
<b>Belgium</b>	Vlerick Business School	STOIO (Flemish Research Organisation for Entrepreneurship and Regional Economy) EWI (Department of Economy, Science and Innovation)	Dedicated Research
<b>Bosnia &amp; Herzegovina</b>	Centre for Entrepreneurship Development Tuzla (in partnership with University of Tuzla)	Centre for Entrepreneurship Development Tuzla Federal Ministry of Entrepreneurship, Development and Crafts Ministry of Development and Entrepreneurship of Tuzla Canton SeeNet Program MCF Prizma Municipality of Tuzla	IPSOS d.o.o. Sarajevo
<b>Botswana</b>	University of Botswana	International Development Research Centre (IDRC)	
<b>Brazil</b>	Instituto Brasileiro da Qualidade e Produtividade (IBQP)	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas - SEBRAE Fundação Getúlio Vargas - FGV- EAESP	Rogério de Mello Bonilha - EI

		Serviço Social da Indústria - SESI - PR Universidade Federal do Paraná - UFPR Instituto de Tecnologia do Paraná - TECPAR InnovaChile Corfo SOFOFA (Federation of Chilean Industry) MovistarInnova	
<b>Chile</b>	Universidad del Desarrollo	InnovaChile Corfo SOFOFA (Federation of Chilean Industry) MovistarInnova	Questio, Estudios de Mercado y Opinion Limitada
<b>China</b>	Tsinghua University	School of Economics and Management, Tsinghua University	SINOTRUST International Information & Consulting (Beijing) Co., Ltd.
<b>Colombia</b>	Universidad de los Andes Universidad del Norte Universidad Icesi Pontificia Universidad Javeriana Cali	Universidad de los Andes - Centre for Entrepreneurship Pontificia Universidad Javeriana Cali Universidad Icesi - International Development Research Center (Canada) Universidad del Norte	Centro Nacional de Consultoría
<b>Costa Rica</b>	Parque Tec	Sistema de Banca para el Desarrollo (SBD) Banco Centroamericano de Integración Económica (BCIE)	
<b>Croatia</b>	J.J. Strossmayer University Osijek, Faculty of Economics	Ministry of Entrepreneurship and Crafts CEPOR SME & Entrepreneurship Policy Centre J.J. Strossmayer University in Osijek, Faculty of Economics	Puls d.o.o., Zagreb
<b>Denmark</b>	University of Southern Denmark	Industriens Fond EE - Etnisk Erhvervsfremme	Voxmeter
<b>Ecuador</b>	ESPOL	Banco de Guayaquil CLARO Dyvenpro ESPOL Mexichem Group Telconet Trout and Partners	Survey Data
<b>Egypt</b>	The British University in Egypt	Silatech International Development Research Center The British University in Egypt The Middle East Council for Small Businesses and Entrepreneurship	The Nielsen Company
<b>El Salvador</b>	ESEN	Escuela Superior de Economía y Negocios (ESEN)	Centro Emprendedor ESEN

<b>Estonia</b>	Estonian Development Fund	Estonian Development Fund	Saar Poll
<b>Ethiopia</b>	Addis Ababa University	International Development Research Centre (IDRC)	
<b>Finland</b>	Turku School of Economics, University of Turku	Ministry of Employment and the Economy Turku School of Economics, University of Turku	TNS Gallup Oy
<b>France</b>	EMLYON Business School	EMLYON Business School	CSA
<b>Germany</b>	Leibniz Universität Hannover  Institute for Employment Research (IAB) of the German Federal Employment Agency (BA)	German Federal Employment Agency (BA)	Zentrum fuer Evaluation und Methoden (ZEM), Bonn
<b>Ghana</b>	University of Ghana	International Development Research Centre (IDRC)	
<b>Greece</b>	Foundation for Economic & Industrial Research (IOBE)	National Bank of Greece SA	Datapower SA
<b>Hungary</b>	University of Pécs Faculty of Business and Economics	OTKA Research Foundation Theme number K 81527 Regional Studies PhD Programme, University of Pécs Faculty of Business and Economics Business Administration PhD Programme, University of Pécs Faculty of Business and Economics Management and Business Administration PhD Programme of the Corvinus University of Budapest Doctoral School of Regional- and Economic Sciences, Széchenyi István University GEDI	Szocio-Gráf Piac-és Közvélemény-kutató Intézet
<b>India</b>	Entrepreneurship Development Institute of India (EDI), Ahmedabad Institute of Management Technology (IMT), Ghaziabad Institute of Management Technology (IMT), Ghaziabad Institute of Management Technology (IMT), Ghaziabad Entrepreneurship Development Institute of India (EDI), Ahmedabad Entrepreneurship Development Institute of India (EDI), Ahmedabad Indian School of Business (ISB), Hyderabad Indian School of Business (ISB), Hyderabad Indian School of Business (ISB), Hyderabad Portsmouth Business School, U.K.	Centre for Research in Entrepreneurship Education and Development (CREED) EDI Institute of Management Technology (IMT) CREED, EDI Wadhvani Centre for Entrepreneurship Development (WCED), ISB Department of Strategy, Enterprise and Innovation, Portsmouth Business School	TNS India

<b>Iran</b>	University of Tehran	Labour Social Security Institute (LSSI)	Sedigheh Yeganegi
<b>Ireland</b>	Fitzsimons Consulting Dublin City University Business School	Enterprise Ireland Forfás	IFF
<b>Israel</b>	Ben Gurion University of the Negev	The Ira Center for Business Technology and Society, Ben Gurion University The Sami Shamoon College of Engineering MATA - Organisation for the Advancement of Technology Entrepreneurs	Dialogue Corporation
<b>Italy</b>	University of Padua	Grafica Veneta Spa Campania Innovazione	
<b>Jamaica</b>	University of Technology, Jamaica	International Development Research Centre (IDRC) University of Technology, Jamaica	Market Research Services Ltd
<b>Japan</b>	Musashi University	Venture Enterprise Center	Social Survey Research Information Co.,Ltd (SSRI)
<b>Korea</b>	Gyeongnam National University of Science and Technology (GnTech)	Small and Medium Business Administration (SMBA) Korea Entrepreneurship Foundation Korea Aerospace Industries, Ltd (KAI) Taewan Co., Ltd.	Hankook Research Co
<b>Latvia</b>	The TeliaSonera Institute at the Stockholm School of Economics in Riga	TeliaSonera AB	SKDS
<b>Lithuania</b>	International Business School at Vilnius University	International Business School at Vilnius University Lithuanian Research Council Enterprise Lithuania	
<b>Macedonia</b>	University "Ss. Cyril and Methodius" - Business Start-Up Centre (BSC) Macedonian Enterprise Development Foundation (MEDF)	Macedonian Enterprise Development Foundation (MEDF)	Brima Gallup
<b>Malawi</b>	University of Malawi	International Development Research Centre (IDRC) University of Malawi Invest in Knowledge Initiative	Invest in Knowledge Initiative
<b>Malaysia</b>	Universiti Tun Abdul Razak	Universiti Tun Abdul Razak	Rehanstat
<b>Mexico</b>	Tecnologico de Monterrey	Tecnologico de Monterrey Campus León Proyectos Legado del Tecnológico de Monterrey Instituto para el Desarrollo Regional	Alduncin y Asociados
<b>Namibia</b>	Namibia Business School	Namibia Business School	
<b>Netherlands</b>	Panteia/EIM	Stratus	Stratus

<b>Nigeria</b>	TOMEB Foundation for Entrepreneurship & Youth Development	International Development Research Centre (IDRC) Tomeb Foundation For Youth Development & Sustainability (TOMEB) MarketSight Consultancy Limited	MarketSight Consultancy Limited
<b>Norway</b>	Bodø Graduate School of Business	Innovation Norway Ministry of Local Government and Regional Development Ministry of Trade and Industry Kunnskapsfondet Nordland AS	Polarfakta
<b>Pakistan</b>	Center for Entrepreneurial Development, Institute of Business Administration (IBA), Karachi	Institute of Business Administration (IBA), Karachi Institute of Business Administration (IBA), Sukhur National University of Science and Technology (NUST), Islamabad University of Engineering and Technology (UET), Peshawar GIFT University, Gujranwala State University of New York (SUNY), Oswego	Oasis Insight
<b>Palestine</b>	MAS Institute	International Development Research Centre (IDRC)	The Palestine Central Bureau of Statistics (PCBS)
<b>Panama</b>	City of Knowledge's Panama Business Accelerator	The Authority of the Micro, Small and Medium Enterprises IPSOS	IPSOS
<b>Peru</b>	Universidad ESAN	Universidad ESAN's Center for Entrepreneurship imasen	Imasen
<b>Poland</b>	University of Economics in Katowice Polish Agency for Enterprise Development	Polish Agency for Enterprise Development University of Economics in Katowice	Millward Brown SMG/KRC
<b>Portugal</b>	Sociedade Portuguesa e Inovação (SPI)  ISCTE - Instituto Universitário de Lisboa (ISCTE-IUL)	ISCTE - Instituto Universitário de Lisboa (ISCTE-IUL)	GfKMetris (Metris – Métodos de Recolha e Investigação Social, S.A.)
<b>Romania</b>	Faculty of Economics and Business Administration, Babeş-Bolyai University	OTP Bank Romania Asociația Pro Oeconomica Babeş-Bolyai University of Cluj-Napoca Metro Media Transilvania, Studii Sociale, Marketing și Publicitate S.R.L.	Metro Media Transilvania
<b>Russia</b>	Graduate School of Management SPbSU	Charitable Foundation for Graduate School of Management Development Citi Foundation	Levada-Center
<b>Singapore</b>	Nanyang Technological University	Nanyang Technological University	Joshua Research Consultants Pte Ltd

		NTU Ventures Pte Ltd	
<b>Slovakia</b>	Comenius University in Bratislava, Faculty of Management	National Agency for Development of Small and Medium Enterprises	GfK Slovakia, s.r.o.
<b>Slovenia</b>	Faculty of Economics and Business, University of Maribor	Mery - Jaroslav Iglar Ministry of Economy  Slovenian Research Agency Institute for Entrepreneurship and Small Business Management	RM PLUS
<b>South Africa</b>	The UCT Centre for Innovation and Entrepreneurship, Graduate School of Business, University of Cape Town	The Swiss South African Cooperation Initiative (SSACI) The Small Enterprise Development Agency (SEDA) The Services SETA	Nielsen South Africa
<b>Spain</b>	Fundación Xavier de Salas	Fundación Xavier de Salas	Instituto Opinòmetre S.L.
<b>Sweden</b>	Swedish Entrepreneurship Forum	Svenskt Näringsliv / Confederation of Swedish Enterprise Vinnova EU Commission, DG Employment (for EU project)	Ipsos
<b>Switzerland</b>	School of Business Administration (HEG-FR) Fribourg	Kommission für Technologie und Innovation KTI / CTI HEG Haute Ecole de Gestion Fribourg (HEG-FR)	gfs Bern
<b>Taiwan</b>	National Chengchi University	Small and Medium Enterprise Administration, Ministry of Economic Affairs	NCCU Survey Center
<b>Thailand</b>	School of Entrepreneurship and Management (SEM), Bangkok University	Bangkok University	TNS Research International Thailand
<b>Trinidad and Tobago</b>	Arthur Lok Jack Graduate School of Business, University of the West Indies	International Development Research Centre (IDRC)	Sacoda Serv Ltd
<b>Tunisia</b>	IHEC, University of Sousse	International Development Research Center (IDRC) SILATECH, Doha, Qatar	Optima
<b>Turkey</b>	Yeditepe University	Kosgeb Small and Medium Enterprise Development Organization Yeditepe University	Akademetre
<b>Uganda</b>	Makerere University Business School	International Development Research Centre (IDRC) Makerere University Business School	Makerere University Business School
<b>United Kingdom</b>	Aston University	Department for Business, Innovation and Skills (BIS) Royal Bank of Scotland (RBS) Department for Environment, Food and Rural Affairs (DEFRA) Welsh Assembly Government Hunter Centre for Entrepreneurship,	IFF Research Ltd

Strathclyde University  
 Invest Northern Ireland  
 Liverpool Vision  
 Leeds City Region  
 Young Enterprise  
 The Prince's Initiative for Mature  
 Enterprise (PRIME)

<b>United States</b>	Babson College	Babson College Baruch College	OpinionSearch Inc.
<b>Uruguay</b>	IEEM	University of Montevideo	Equipos Mori
<b>Zambia</b>	University of Zambia	International Development Research Centre (IDRC)	Department of Development Studies

## **Annex 2. GEM Egypt National Team**

**The British University in Egypt (BUE)** officially opened to Egyptian students in September 2005 on a state-of-the-art campus in El-Sherouk. It focuses on encouraging personal integrity and academic excellence in its students, alongside developing enterprising graduates who can envision opportunities and harness the resources to bring them to fruition. Currently, the university has four faculties - Business Administration, Economics and Political Science; Computer Science; Engineering; and Nursing, as well as a Department of English that provides the requisite language training. It operates within the framework of the UK Quality Assurance Agency and provides degrees in a similar style and to an equivalent standard to UK programmes. The BUE is validated by Loughborough and Queen Margaret Universities in the UK and successful students receive a British as well as an Egyptian qualification. Having graduated its first students in 2009, the BUE is now firmly established and well placed to establish a global reputation as a high quality teaching and research institution.

Contact information:

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Cairo-Suez Desert Road – El Sherouk City, Egypt

Tel: +202 2689 0000; Fax: +202 2687 5897  
Website: [www.bue.edu.eg](http://www.bue.edu.eg)  
Email: [info@bue.edu.eg](mailto:info@bue.edu.eg)

**Silatech** is a Qatar-based social initiative that works to create jobs and expand economic opportunities for young people throughout the Arab world. The organization promotes large-scale job creation, entrepreneurship, access to capital and markets, and the participation and engagement of young people in economic and social development. Founded in 2008 by Her Highness Sheikha Moza bint Nasser, Silatech finds innovative solutions to challenging problems, working with a wide spectrum of development organizations, governments and the private sector to foster sustainable, positive change for Arab youth.

Contact information:

SILATECH  
P.O. Box 34111 - Doha, Qatar

Tel: +974 4499 4800; Fax: +974 4472 7651  
Website: [www.silatech.com](http://www.silatech.com)  
Email: [info@silatech.com](mailto:info@silatech.com)

**The International Development Research Centre (IDRC)** is a Canadian Crown corporation established by an act of Parliament in 1970 to help developing countries find solutions to their problems. IDRC encourages and supports researchers and innovators in those countries to find practical, long-term solutions to the social, economic, and environmental problems their societies face. Their goal is to find ways to reduce poverty, improve health, support innovation, and safeguard the environment.

Contact information:

The International Development Centre  
P.O. Box 14 Orman, Giza, Cairo, Egypt

Tel: +202 3336 7051; Fax: +202 3336 7056  
Website: [www.idrc.ca](http://www.idrc.ca)  
Email: [mero@idrc.ca](mailto:mero@idrc.ca)

### **Annex 3. GEM Entrepreneurial Framework Conditions**

The nine Entrepreneurial Framework Conditions (EFCs) considered in the GEM research are outlined below<sup>xxiv</sup>. They are not listed in any assumed order of importance.

**EFC1: Financial Support:** The availability of financial resources, equity, and debt for new and growing firms, including grants and subsidies.

**EFC2: Government Policies:** The extent to which government policies, reflected in taxes or regulations or the application of either, are either size-neutral or encourage new and growing firms. Subsequent empirical studies have shown that there are two distinct dimensions, or sub-divisions of this EFC. The first covers the extent to which new and growing firms are prioritised in government policy, generally. The second is about regulation of new and growing firms.

**EFC3: Government Programmes:** The presence and quality of direct programmes to assist new and growing firms at all levels of government (national, regional, and municipal).

**EFC4: Education and Training:** The extent to which training in creating or managing small, new, or growing businesses is incorporated within the educational and training system at all levels. Subsequent empirical studies have shown that there are two distinct sub-dimensions to this EFC: primary- and secondary-school level entrepreneurship education and training, and post-school entrepreneurship education and training.

**EFC5: Research and Development (R&D) Transfer:** The extent to which national R&D will lead to new commercial opportunities and whether or not these are available for new, small, and growing firms. (The relative level of R&D and estimates of the stock of accumulated knowledge is covered under “Technology” as a General National Framework Condition.)

**EFC6: Commercial and Professional Services Infrastructure:** The presence of commercial, accounting, and other legal services and institutions that allow or promote the emergence of new, small, or growing businesses.

**EFC7: Internal Market Openness:** The extent to which commercial arrangements undergo constant change and redeployment as new and growing firms compete and replace existing suppliers, subcontractors, and consultants. Subsequent empirical studies have shown that there are two distinct sub-dimensions to this EFC: Market Change, that is, the extent to which markets change dramatically from year to year, and Market Openness, or the extent to which new firms are free to enter existing markets.

**EFC8: Physical Infrastructure:** Ease of access to available physical resources—communications, utilities, transportation, land or space—at a price that does not discriminate against new or growing firms. (Presence and quality of these physical resources are covered as a General National Framework Condition.)

**EFC9: Cultural and Social Norms:** The extent to which existing social and cultural norms encourage, or do not discourage, individual actions that may lead to new ways of conducting business or economic activities and may, in turn, lead to greater dispersion of personal wealth and income. Subsequent empirical studies have shown that there are two distinct sub-dimensions to this EFC: National Entrepreneurial Culture, or the extent to which the national culture encourages entrepreneurship, and Respect for Entrepreneurs, or the extent to which entrepreneurs have high status.

### Annex 4. Entrepreneurial Framework Conditions: Scores by Expert Informants by Geographical Region – 2012

Country	Finance	Government policy: e-ship as a priority and support to entrepreneurs	Government policies: bureaucracy and taxes	Governmental programs for entrepreneurs	Education and training: school stage	Education and training: post school stage	R&D transfer	Commercial and professional infrastructure	Internal market: dynamics	Internal market: burdens	Physical and services infrastructure	Cultural and social norms
<b>LATIN AMERICA &amp; CARRIBEAN</b>												
Argentina	2.12	2.3	1.49	2.9	1.85	3.11	2.58	2.97	3.29	2.75	3.59	3.02
Barbados	2.06	2.39	2.1	2.51	2.01	2.94	2.02	3.02	2.17	2.46	3.51	2.82
Brazil	2.42	2.3	1.62	2.28	1.57	2.41	1.98	2.54	3.42	2.22	2.99	2.66
Chile	2.29	3.07	2.97	2.97	1.96	3.01	2.15	2.74	2.51	2.48	4.07	2.89
Colombia	2.32	3.11	2.57	2.96	2.47	3.15	2.52	2.78	2.5	2.61	3.15	3.04
Costa Rica	2.05	2.69	2.06	2.78	2.17	2.99	2.54	2.95	2.59	2.65	3.51	2.86
Ecuador	2.26	2.87	2.11	2.39	1.94	3.07	Somewhat false	2.87	2.53	2.48	4.13	2.69
El Salvador	1.86	1.87	2.21	2.31	1.82	2.81	1.77	2.63	2.17	2.44	Somewhat true	3.1
Jamaica	2.39	2.07	1.96	2.17	2.22	2.92	2.13	2.68	2.79	2.83	3.26	3.76
Mexico	2.04	2.5	1.93	2.89	1.72	2.96	2.27	2.77	2.54	2.14	3.58	2.96
Panama	2.2	2.38	2.73	2.8	1.67	2.84	2.29	2.75	2.98	2.56	3.84	2.76
Peru	2.37	2.65	2.37	2.43	2.15	3.14	2.04	2.92	2.57	2.82	3.69	3.24
Trinidad & Tobago	2.81	2.13	2.24	2.48	2.15	3.02	2.29	3.1	2.95	2.29	3.46	2.58
Uruguay	2.19	2.52	2.7	2.98	2.07	3.11	2.95	3.14	2.19	2.77	3.84	2.6

Country	Finance	Government policy: e-ship as a priority and support to entrepreneurs	Government policies: bureaucracy and taxes	Governmental programs for entrepreneurs	Education and training: school stage	Education and training: post school stage	R&D transfer	Commercial and professional infrastructure	Internal market: dynamics	Internal market: burdens	Physical and services infrastructure	Cultural and social norms
<b>MIDDLE EAST &amp; NORTH AFRICA</b>												
Algeria	3.24	3.29	2.8	3.07	2.19	3.32	2.81	2.83	3.75	3.04	3.33	3.17
Egypt	2.38	2.06	2.03	1.86	1.28	1.82	1.83	2.64	3.26	2.39	3.65	2.13
Iran	2.16	2.29	1.85	1.73	1.4	2.44	1.88	2.9	3.59	2.15	4.26	2.28
Israel	2.71	2.22	1.89	2.51	2.37	3.28	2.64	3.38	2.67	2.5	4.09	4.25
Palestine	2.52	2.24	2.43	1.86	1.69	2.44	2.3	3.07	3.13	2.1	3.52	2.89
Tunisia	2.72	3.5	3.11	2.77	1.44	2.78	2.38	3.15	3.45	2.36	3.41	2.48
<b>SUB-SAHARAN AFRICA</b>												
Angola	2.74	2.74	2.19	2.16	1.93	2.24	1.71	2.65	2.94	2.15	2.28	2.94
Botswana	2.72	2.74	2.29	2.40	2.01	2.66	2.14	2.91	3.13	2.5	3.07	2.73
Ethiopia	2.4	3.54	3.07	2.62	2.38	3.01	2.22	2.67	3.91	2.7	3.33	2.96
Ghana	2.13	2.25	2.27	2.17	2.2	2.66	2.07	2.84	3.41	2.5	3.17	2.99
Malawi	1.96	2.29	2.46	2.19	2.14	3.14	1.9	2.81	3.32	2.78	2.66	2.41
Namibia	2.53	2.96	2.44	2.49	2.68	3.08	2.21	3.06	2.95	2.62	3.9	3.24
Nigeria	2.2	1.97	1.99	Somewhat false	2.09	2.44	1.87	2.87	3.67	2.38	3.05	3.21
South Africa	2.49	2.63	1.88	2.1	1.81	2.53	2.16	2.95	2.81	2.31	2.89	2.57
Uganda	2.32	2.17	2.2	2.26	1.94	2.69	1.72	3.16	3.49	2.75	3.32	3.48
Zambia	2.14	2.5	2.64	2.21	1.93	2.46	1.85	3.07	3.11	2.9	3.11	2.59
<b>ASIA PACIFIC &amp; SOUTH ASIA</b>												
China	2.37	2.61	2.56	2.51	1.75	2.75	2.67	2.79	3.68	2.59	3.93	2.97
India	3.09	2.92	2.18	2.79	1.92	2.73	2.54	3.1	3.13	2.85	3.71	3.2

Country	Finance	Government policy: e-ship as a priority and support to entrepreneurs	Government policies: bureaucracy and taxes	Governmental programs for entrepreneurs	Education and training: school stage	Education and training: post school stage	R&D transfer	Commercial and professional infrastructure	Internal market: dynamics	Internal market: burdens	Physical and services infrastructure	Cultural and social norms
Japan	2.34	2.68	2.26	2.6	1.6	2.42	2.64	2.54	3.74	2.83	4.16	2.45
Korea	2.31	3.34	2.75	Neither true nor false	2.11	2.44	2.44	2.41	4.19	2.34	4.18	3.08
Malaysia	3.58	3.27	2.84	3.17	2.39	2.94	2.91	3.31	3.91	2.97	4.03	3.29
Pakistan	2.83	2.12	2.24	2.15	2.11	3.02	2.46	3.32	3.35	2.71	3.65	2.84
Singapore	3.4	3.51	4.04	3.46	2.56	3.14	2.87	3.25	3.25	2.88	4.4	3.28
Taiwan	2.95	2.29	2.88	2.8	1.99	2.81	2.6	2.62	3.49	2.81	4.15	3.19
Thailand	2.77	2.45	2.43	2.21	1.89	2.63	1.9	2.69	3.4	2.18	3.98	2.88
<b>EASTERN EUROPE</b>												
Bosnia and Herzegovina	2.32	2.1	1.73	2.13	2.34	2.75	1.97	2.84	3.22	2.08	3.25	2.12
Croatia	2.12	1.96	1.74	2.19	1.95	2.65	2.13	2.78	3.47	2.09	3.5	1.98
Macedonia	2.12	2.48	3.01	2.55	2.3	2.86	2.38	3.52	3.13	2.29	3.57	2.84
Poland	2.62	2.78	2.14	2.56	1.64	2.49	2.14	2.76	3.92	2.58	3.54	2.65
Romania	2.13	2.23	Somewhat false	2.21	2.11	2.58	2.31	2.83	3.03	2.64	3.18	2.2
Russia	1.96	2.42	2.2	2.12	2.39	2.76	2.05	2.85	3.05	2.16	3.08	2.54
Slovakia	2.38	2.11	2.27	2.23	2.08	2.79	1.99	3.12	2.62	2.83	3.94	2.17
Slovenia	2.32	2.31	2.09	2.61	2.13	2.64	2.36	2.91	3.44	2.39	3.83	2.25
Turkey	2.56	2.83	2.69	2.6	2.07	2.89	2.42	2.95	3.11	2.57	3.66	3.18
<b>USA &amp; WESTERN EUROPE</b>												
Austria	2.61	2.78	2.82	3.52	1.72	3.05	2.86	3.62	2.47	3.36	4.21	2.44
Belgium	3.04	2.8	2.2	2.97	Somewhat	3.02	2.62	3.43	2.65	3.07	3.85	2.34

Country	Finance	Government policy: e-ship as a priority and support to entrepreneurs	Government policies: bureaucracy and taxes	Governmental programs for entrepreneurs	Education and training: school stage	Education and training: post school stage	R&D transfer	Commercial and professional infrastructure	Internal market: dynamics	Internal market: burdens	Physical and services infrastructure	Cultural and social norms
					false							
Denmark	2.32	2.51	2.56	3.13	2.61	2.65	2.49	3.23	2.81	2.61	4.09	2.58
Estonia	2.75	2.37	3.54	2.93	1.98	2.71	2.79	3.18	3.58	3.01	4.32	3.38
Finland	2.73	3.17	3.31	2.95	2.47	2.87	2.71	3.45	2.78	2.86	4.25	2.77
France	2.86	3.52	2.89	3.61	1.96	3.24	2.72	3.27	3.05	2.74	3.91	2.52
Germany	2.89	2.89	2.78	3.57	2.07	2.88	2.72	3.34	2.91	2.84	3.87	2.74
Greece	1.65	1.59	1.81	1.72	1.63	2.44	2.15	2.97	Neither true nor false	2.12	3.34	2.05
Hungary	2.51	2.3	1.92	2.52	1.6	2.74	2.44	3.17	2.82	2.4	4.04	2.4
Ireland	2.44	3.02	2.82	3.28	2.07	2.83	2.92	3.21	2.81	2.99	3.92	3.15
Italy	2.34	2.61	1.71	2.13	1.86	2.46	2.61	3.08	2.97	2.49	3.27	2.41
Latvia	2.73	2.79	2.67	3.02	2.87	3.17	2.33	3.38	2.44	3.1	4.05	3.19
Lithuania	2.63	2.54	2.35	2.6	2.02	2.57	2.46	3.08	3.57	2.19	4.24	2.38
Netherlands	2.69	2.91	3.3	3.21	3.07	3.45	3.16	3.79	2.75	3.61	4.6	3.37
Norway	2.42	2.17	2.74	2.83	2.69	2.9	2.72	3.62	2.78	2.42	4.24	2.9
Portugal	2.48	2.11	1.83	2.65	1.76	2.59	2.43	2.96	2.41	2.41	4.11	2.24
Spain	2.06	2.68	2.6	2.79	1.53	2.34	2.34	3.05	2.79	2.46	3.98	2.35
Sweden	2.52	2.64	2.53	2.99	2.39	2.47	2.51	2.84	3.46	2.5	4.16	2.67
Switzerland	3.15	3.35	3.6	3.48	2.3	3.44	3.65	3.73	2.47	3.3	4.7	3.47
United Kingdom	2.72	2.95	2.77	2.45	2.35	2.92	2.72	3.26	3.12	3.12	3.97	2.98
<b>UNITED STATES</b>												
United States	2.58	2.69	2.64	2.92	2.16	2.84	2.67	3.28	2.88	2.78	4.06	2.72

## Endnotes

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### ***About the Author***

Dr. Hala Hattab is a lecturer of Entrepreneurship at the British University in Egypt and Programme Manager for the Global Entrepreneurship Monitor-Egypt. As a Chemical Engineering graduate, she started her professional career as a business development officer in an engineering consultancy company and moved upwards till became the Business Development Manager. In 2007, she was awarded a Ph.D. in female entrepreneurship and added to her professional career a new academic dimension that covers research as well as teaching.

Dr. Hattab has special interest in issues related to Entrepreneurship, especially in the Arab world. Her areas of interest include entrepreneurship education, social entrepreneurship and youth and women entrepreneurship and as such, she has published articles in International Journals discussing these topics. Dr. Hattab teaches different entrepreneurship modules at the university aiming at promoting entrepreneurship among students and prepare them to be entrepreneurs themselves.

Dr. Hattab is a member of editorial board of the journal for economics and business "Economic Review" and a regular reviewer for entrepreneurship-specialised Journals and conferences (e.g. DIANA conference, Journal of Small Business and Entrepreneurship). She has been a judge in different business plan competitions to support start-ups in Egypt and Middle East (Google's Ebda2, OECD's MENA 100, Cairo Start-Up Cup), Founding Member of the Middle East Council for Small Businesses and Entrepreneurship, Egypt and a mentor for start-ups providing support and coaching



## GEM Egypt Report 2012

**Cover Photo:** The view of the Nile and the area surrounding it from Gharb S'hail village in Aswan, in the south of Egypt. This natural beauty inspired the local Nubian community to adopt several entrepreneurial projects ranging from tourism and entertainment to handcrafts while preserving and protecting nature and the environment. Today the Gharb S'hail population which suffered deprivation and unemployment is able to support and sustain itself thanks to entrepreneurship which proved to be a lethal weapon against what is probably Egypt's biggest problem: "Poverty".

**Back Photo:** Another view of the area surrounding Gharb S'hail where island in front of the river bank appears on seasonal basis as the High Dam control the water flow in the river to serve in the agricultural needs. The local population whom are not farmers become acquainted with the water level schedule and know when the water level will be low allowing these small islands to appear and to be used in arranging folkloric events to attract tourism and create more opportunities instead of just relying on the beauty of the view as the main feature of Gharb S'hail.