

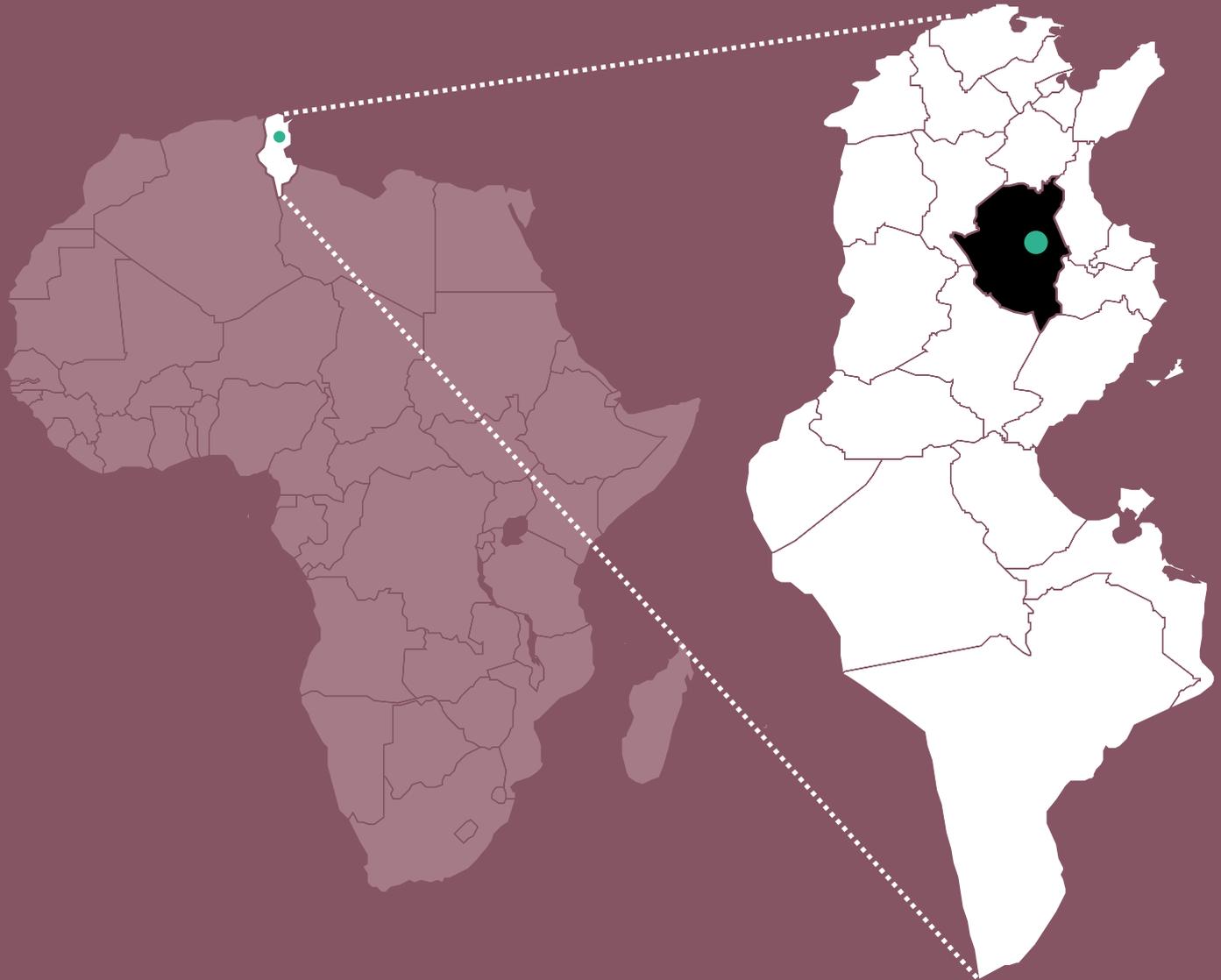
Startup

Ecosystem

Report

Kairouan | Tunisia

Kairouan | Tunisia



Africa and Tunisia

Tunisia and the Governorate of Kairouan

Kairouan is located in the centre of Tunisia, with a population of approximately 120,000 people. Kairouan enjoys a privileged geographical position since it represents a crossroads between the major hubs of the country, and is an important link between Tunis and the southern and central parts of Tunisia. It is bordered by the governorates of Zaghouan, Siliana, Kasserine, Sidi Bouzid, Sfax, Sousse and Mahdia. Kairouan is a UNESCO World Heritage site, and was the historical capital of North Africa under the Aghlabid rule. The city is an important holy site for Sunni Islamic scholarship, and is a centre for Islamic culture. Thus, tourism is an important aspect of the economy, as is light industry, agriculture, and trade.

Kairouan's startup ecosystem is still in the early stages, with a positive outlook in terms of infrastructure availability and macro conditions, and challenges regarding access to finance and the maturity of the startup scene.

The Startup Friendliness Index (SFI)

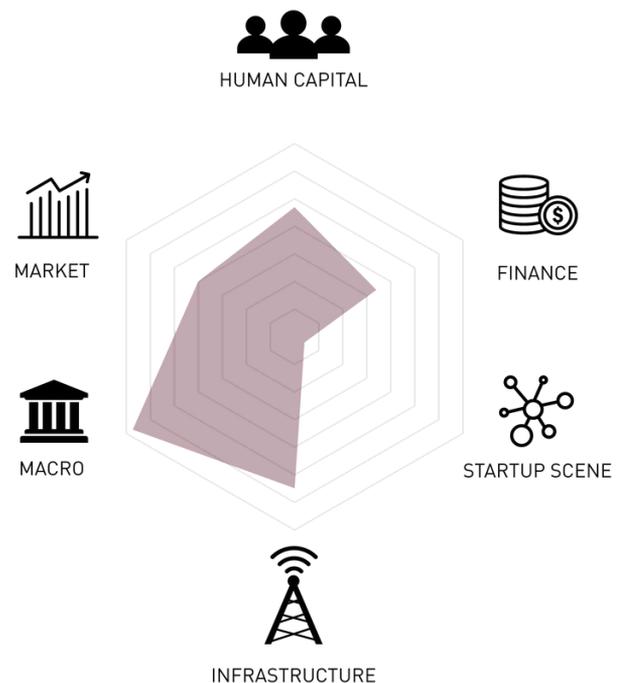
A startup ecosystem is formed by entrepreneurs, startups in their various stages, and numerous other organisations such as universities, investors, accelerators, co-working spaces, legal and financial service providers, and government agencies. Through the complex interaction of these players, a startup ecosystem has the capacity to empower entrepreneurs to develop new ideas and bring innovation to the market.

The composition and maturity level of startup ecosystems are essential components of the success rate for entrepreneurs and new enterprises. A good understanding of ecosystem states, strengths, and weaknesses enables specifically-targeted policies, enhances investment decisions, and improves the impact of development cooperation.

The Startup Friendliness Index (SFI) analyses the friendliness of cities for advancing entrepreneurship by measuring six key features (domains) of the startup ecosystem and the interactions between them: Human Capital, access to Finance, the liveliness of the Startup Scene, Infrastructure, Macro framework, and Market conditions. Together, these six domains interact to form an urban environment that can champion or hinder entrepreneurship.

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Startup Ecosystem Approach



Research Design

The SFI analyses data on 81 key indicators within the six domains representing core elements of a startup ecosystem. The SFI utilises a novel methodology that reflects the importance of interconnectedness between domains.

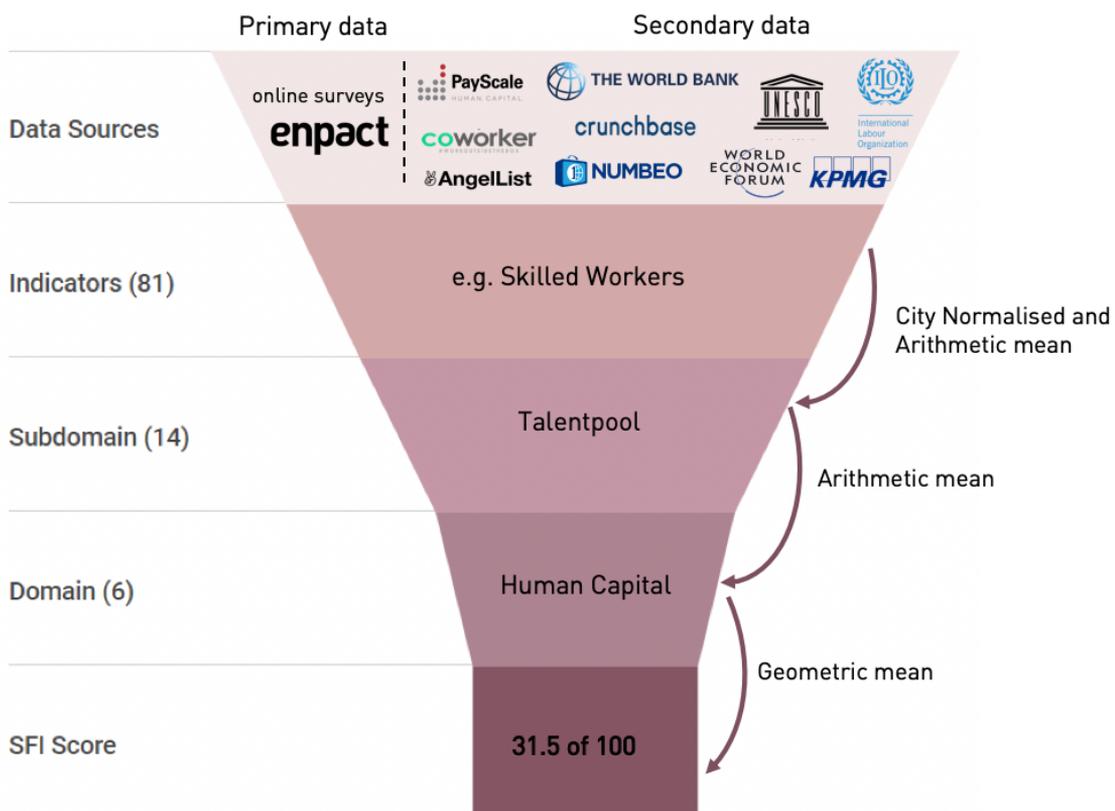
The SFI relies on data procured from a combination of primary data, collected through surveys and interviews, and secondary data from established sources such as the World Bank and World Economic Forum. Once gathered, the data are normalised so that the index values can be used to compare the cities in the SFI. The normalised indicator values range from 0 (for a city that has the lowest performance relative to the others) to 100 (for the city that has the best relative performance). Where relevant, normalised scores are adjusted to the population of the city.

www.startup-meter.org/methodology/

As a final step, the data are aggregated. Drawing from best practices in composite-indicator building, we utilise a combination of the familiar arithmetic mean as well as the geometric mean, resulting in an index which accurately reflects the importance of balance (having relatively even levels of maturity across all domains) within an ecosystem.

The logic behind this method is simple; imbalances in an ecosystem are important, because deficiency in even one area may slow or impede entrepreneurship completely. For example, excellent infrastructure is of limited use if there are no funding opportunities available to initiate a new venture. In other words, there are no substitution effects between domains.

The final SFI scores can be used both as a tool to compare cities on common indicators, and also offer a structured lens to evaluate areas of strengths and weaknesses within individual cities.



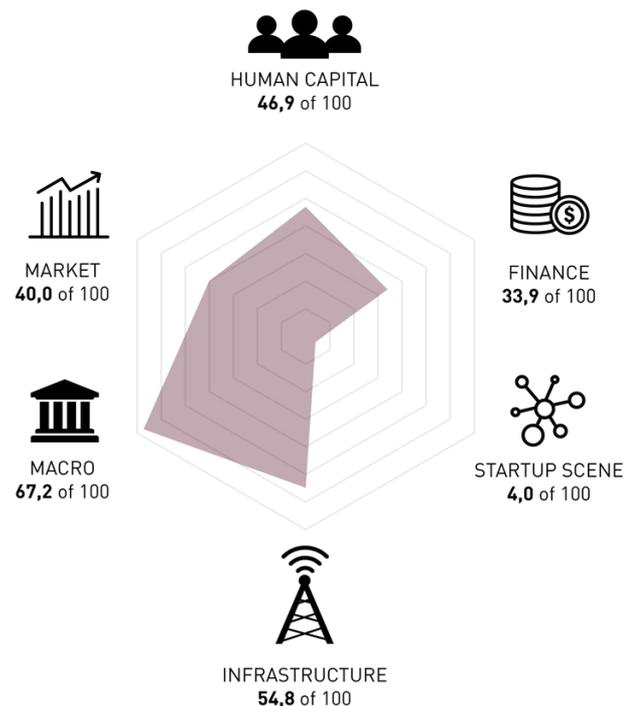
Executive Summary

Kairouan scores 31.39 of 100 in the MENA region SFI, positioning it in the last position of all studied cities. This is primarily due to its highly imbalanced ecosystem, with strengths in the Infrastructure, Macro, and Human Capital domains unable to substitute for low scores in Market and Finance, and an extremely challenging score on the Startup Scene domain.

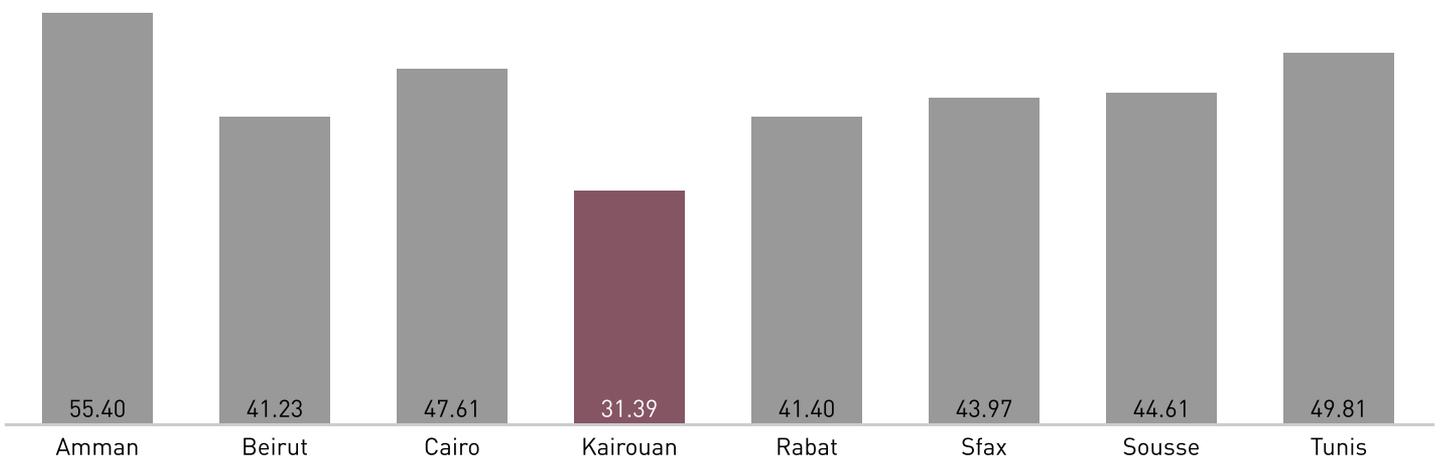
31.4 of 100

The highest scoring domain for Kairouan is Macro, due to the city's strong political and legal framework. The Infrastructure domain also scores well, helped by reliable and affordable utilities and decent ICT options. Indicators in the Human Capital domain score slightly above average relative to other cities in the MENA region, positively influenced by the availability of skilled labour, and negatively affected by extremely high levels of unemployment.

Kairouan Startup Ecosystem



The next highest scoring domain, Market, shows Kairouan is benefited from Tunisia's favourable trade openness, though hindered by poor logistic performance. The Finance and Startup Scene domains



National Diagnosis

Supporting Entrepreneurship on a Country-Level

The Tunisian government has made active efforts in recent years to support the promotion of entrepreneurial ventures in the country. A key pillar of the strategy is the Startup Act, part of the National Strategic Plan Digital Tunisia 2020. Given the importance of these plans for entrepreneurship on a national as well as city-level, a summary of key features follows.

National Strategic Plan Digital Tunisia 2020

Tunisia's National Strategic Plan (NSP) "Digital Tunisia 2020" is an initiative aiming to position the country as an international reference for digital development, utilise ITC as an important lever for socio-economic growth, and to provide Tunisia with the technological infrastructure suitable for a modern economy.

The strategy has been developed through a broad consultative framework that includes the public and private sectors and civil society through a series of sharing events over the course of several years. The African Development Bank works together with the Tunisian government in the implementation of the NSP. The NSP revolves around Four Axes integrating Six Strategic Orientations (SO). These SOs are supported by three steering structures (Governance, Communication & Change Management, and Financing & Budget) and three support structures (Regulatory & Legal, Skills Development, and Digital Trust).



The Startup Act

The bill on the promotion of startups presents a real opportunity for the establishment of favourable startup ecosystems in Tunisia. In order to encourage and motivate young people to form startups, the bill covers 20 measures in five key areas: (1) defining startups, (2) encouraging entrepreneurship, (3) the creation of an environment that allows for the formation and liquidation of companies, (4) access to funding, and (5), access to international markets The bill is relatively comprehensive, with several measures in each thematic area.

Some key features of the Startup Act include:

Startup Leave

Individuals matching certain criteria in Tunisia will be granted one to two years of leave from their employment in the public or private sectors to begin a new enterprise.

Startup Scholarship

Any promoter of a startup can benefit from a startup grant for a duration of one year. The grant provides for the wages for up to three founders/shareholders and full-time employees in the relevant startup. The amounts allocated to the startup scholarship come from National Employment Fund resources, donations, and any other resources provided by the legislation and regulations in force. This amount is between 1000 - 5000 dinars net per month.

Employment Programmes

In an effort to reduce the cost of hiring new employees, the Act provides for employment programmes to facilitate recent graduates to start a new venture, or join a startup organisation.

Patent Fees

The Tunisian government will cover the expenses for patents under certain circumstances.

Exemption for Corporation Tax & Social Security

Startups can benefit from the exemption of corporation tax and the State's assumption of employer contributions and wage earners to the statutory social security scheme.

Foreign Currency

Several measures are in place to facilitate easy transactions with foreign suppliers and customers in international currencies.

Special Customs Procedures

Special customs procedures will be in place for startups, particularly in telecoms and electronic equipment.

Given that there has been less than one year since the Act's inception, a key consideration will be the implementation and evaluation of practical impact.

Startup Friendliness Index Kairouan | Tunisia

DOMAINS AND INDICATORS

1. Human Capital

Kairouan scores 46.91 of 100 on the Human Capital domain in the MENA region SFI, and ranks at position 16 of 19 SFI cities.

Kairouan's strength in this domain stems primarily from generally strong performance on the Talentpool subdomain indicators. These indicators are strengths for Tunisia as a whole, with fairly strong country-wide scores on the number of skilled workers.

The city also scores well in terms of the number of universities and university students, particularly given the low population in the city. While there are only approximately two universities and 13,000 university students in Kairouan, the lowest absolute numbers of all cities in Tunisia, the small population in the city results in these educational resources being accessible to a larger proportion of residents than in the larger cities in the country. However, there are concerns that while baseline education is strong in Tunisia, there is a need to modernise and support skills that are relevant for a tech-based economy. Indeed, over a third of firms in Kairouan identify access to talent as a major constraint to doing business, despite an educated population.

The Labour Market subdomain represents more of a challenge for Kairouan, ranking at position 16 out of 19 global SFI cities. This is primarily due to extremely high unemployment of nearly 17% in the city: 13% for men, and 29% for women (as of 2014).



13%

unemployment rate for men



29%

unemployment rate for women



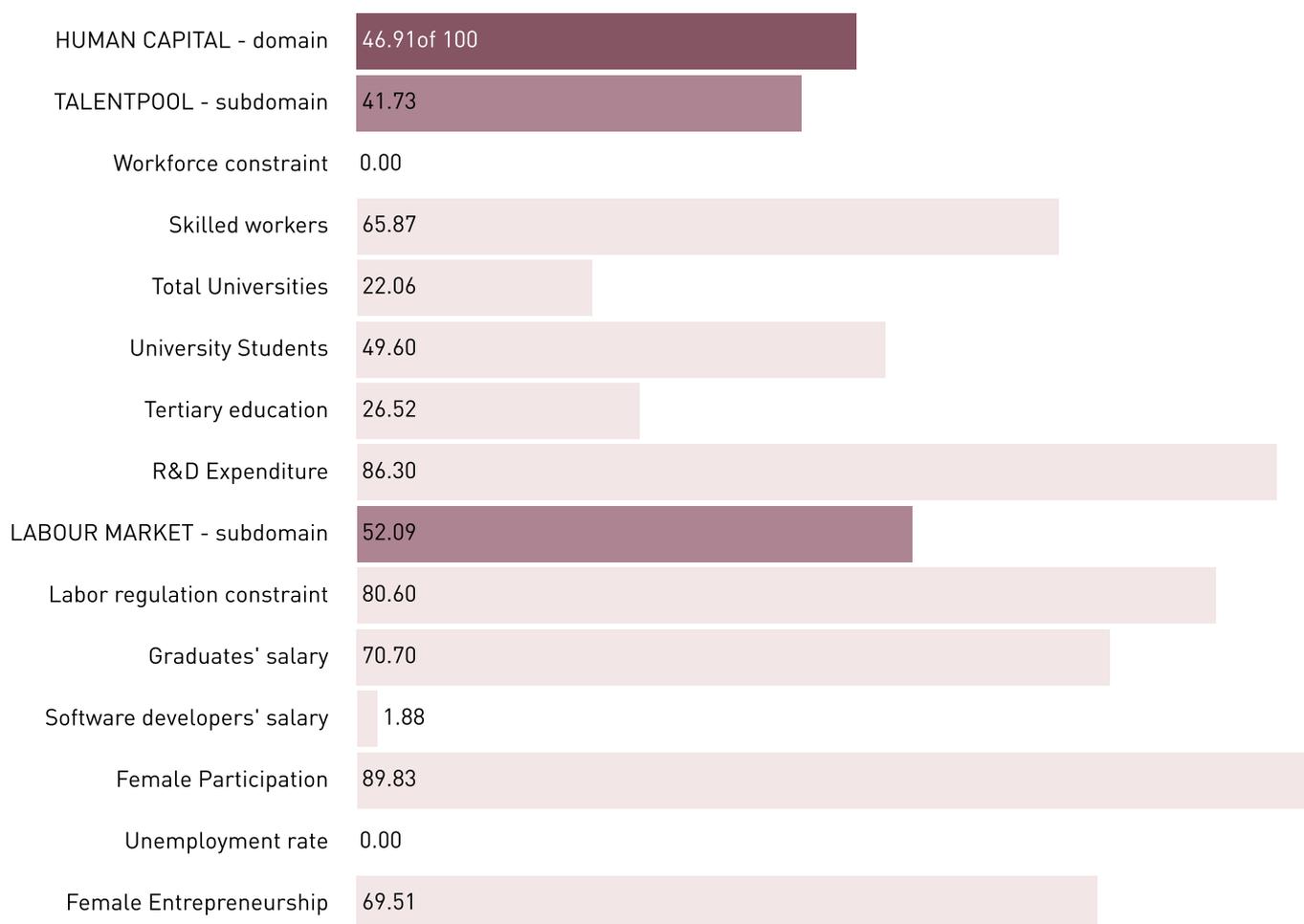
17%

city-wide average unemployment rate

On a national scale, high unemployment is leading to a massive outflow of talent to Europe. Within Tunisia, higher levels of unemployment and less opportunity overall has resulted in migration from the more central, southern, and rural regions of the country towards the major centres of Tunis, Sfax, and Sousse. Given Kairouan's notably high unemployment, this may present a challenge for the city.

Rates of female entrepreneurship are low in Kairouan (6%, compared to the global SFI average of 14%). In Tunisia as a whole, female participation in the workforce is lagging at 24%, more than 15% below the global SFI average. This may be due to unfavourable social attitudes towards women working, and persistent discrimination across sectors.

R&D expenditure is low in Tunisia overall, at less than 1% of GDP, far below the global SFI average.

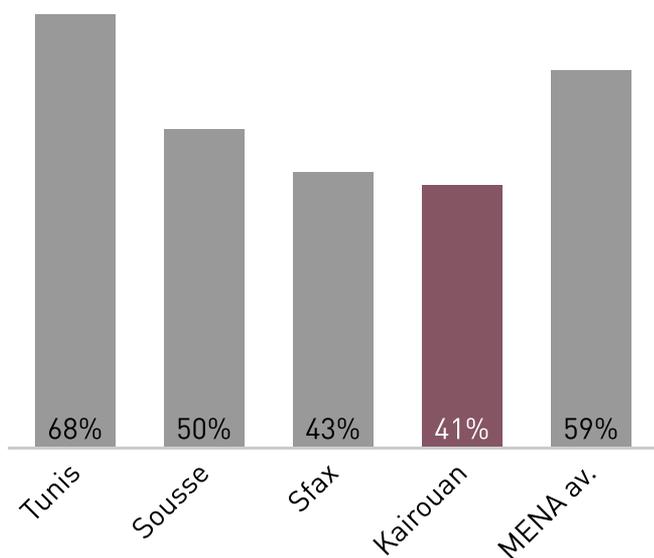


SFI Scores relative to the MENA region, scores range from 0 - 100

2. Finance

Kairouan scores in the middle of global SFI cities in terms of the Finance domain. With a score of 33.98 of 100, Kairouan ranks at position 10 of 19 global SFI cities.

The city has a favourable score on the Sources subdomain (44,73 in the MENA region SFI). Only 41% of entrepreneurs in the city utilised at least partial self-financing, a very positive outlook compared to the global SFI average of 65%. About 6% have access to VC funds (in line with the global SFI average), and 29% rely on bank loans. However, Kairouan scores poorly on the indicators that represent the availability of funding through accelerators, business angels, and public financing.



Percent of firms utilising at least partial self-funding.

The System subdomain faces more difficulty, with a nearly one-third of firms identifying access to finance as a major constraint to doing business. This is a poor score for the MENA region, and much higher than the global SFI average of about 23%, indicating that access to finance is still a major limiting factor for Kairouan.

1/3 of firms

identify access to funding
as a major constraint

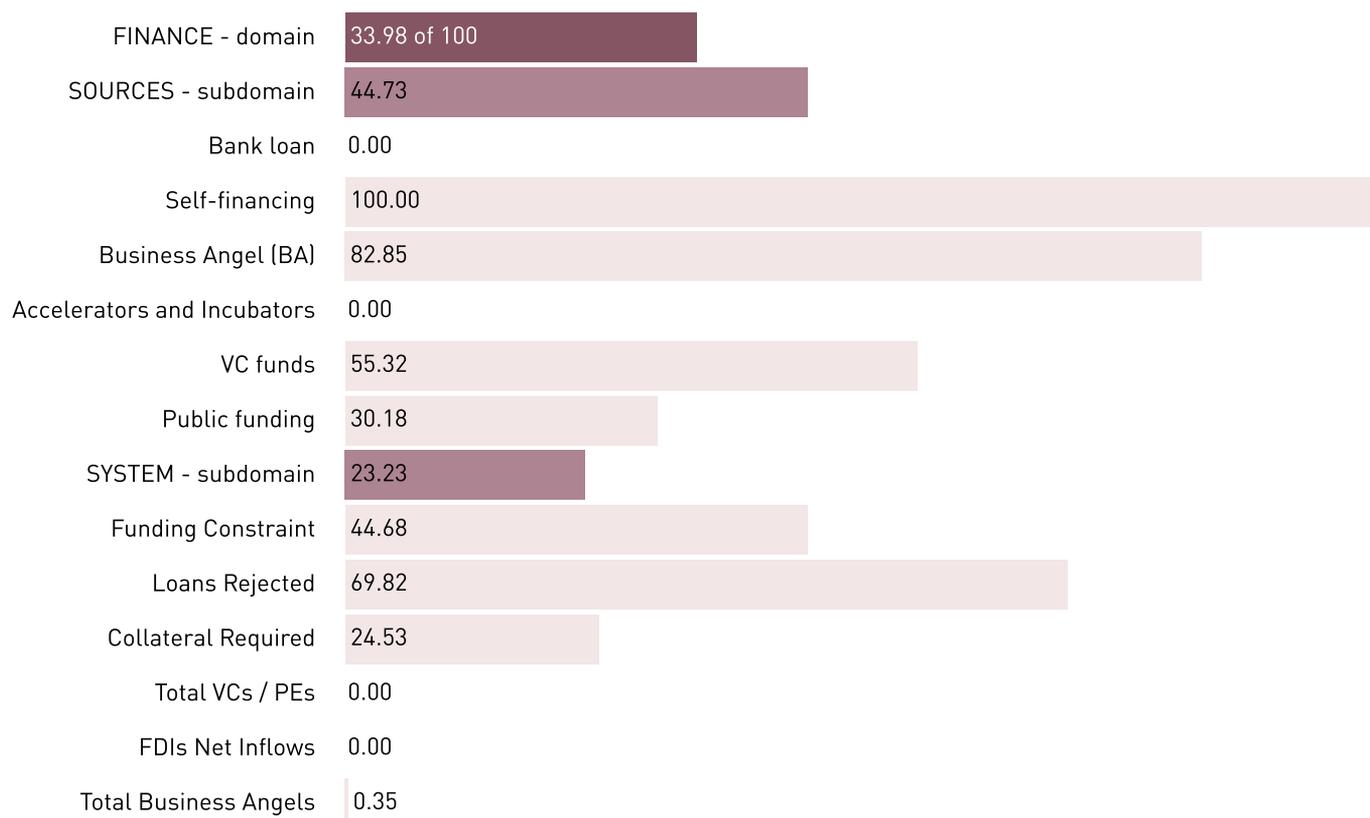
The prospects for securing a bank loan are slightly more favourable given that 90% of applications are typically approved. However, 90% of available loans also require collateral, potentially creating a bottleneck for entrepreneurs who lack the means to supply such initial collateral.

There is are no know VCs legally based in Kairouan, thus ranking the city low on this indicator. The total number of Business Angels is also low, which is logical for a city with a startup ecosystem in the early stages. In terms of other external sources, FDI net inflow is not yet a suitable option for most firms in Tunisia, as all four of the cities in the country rank at the bottom of the global SFI in this indicator with less than \$1 billion USD annually.

The Startup Act provides many options for financing for new ventures, which may serve to support growth in this domain if successfully implemented.

No VCs
legally based in Kairouan

FDI net inflow
is less than \$1 billion USD
annually in Tunisia



SFI Scores relative to the MENA region, scores range from 0 - 100

3. Startup Scene

The startup scene in Kairouan has yet to develop. With a score of only 4.06 of 100, Kairouan is the lowest ranking city on this domain of all cities in the global SFI. Indeed, the city scores the lowest on all but one indicator in this domain.

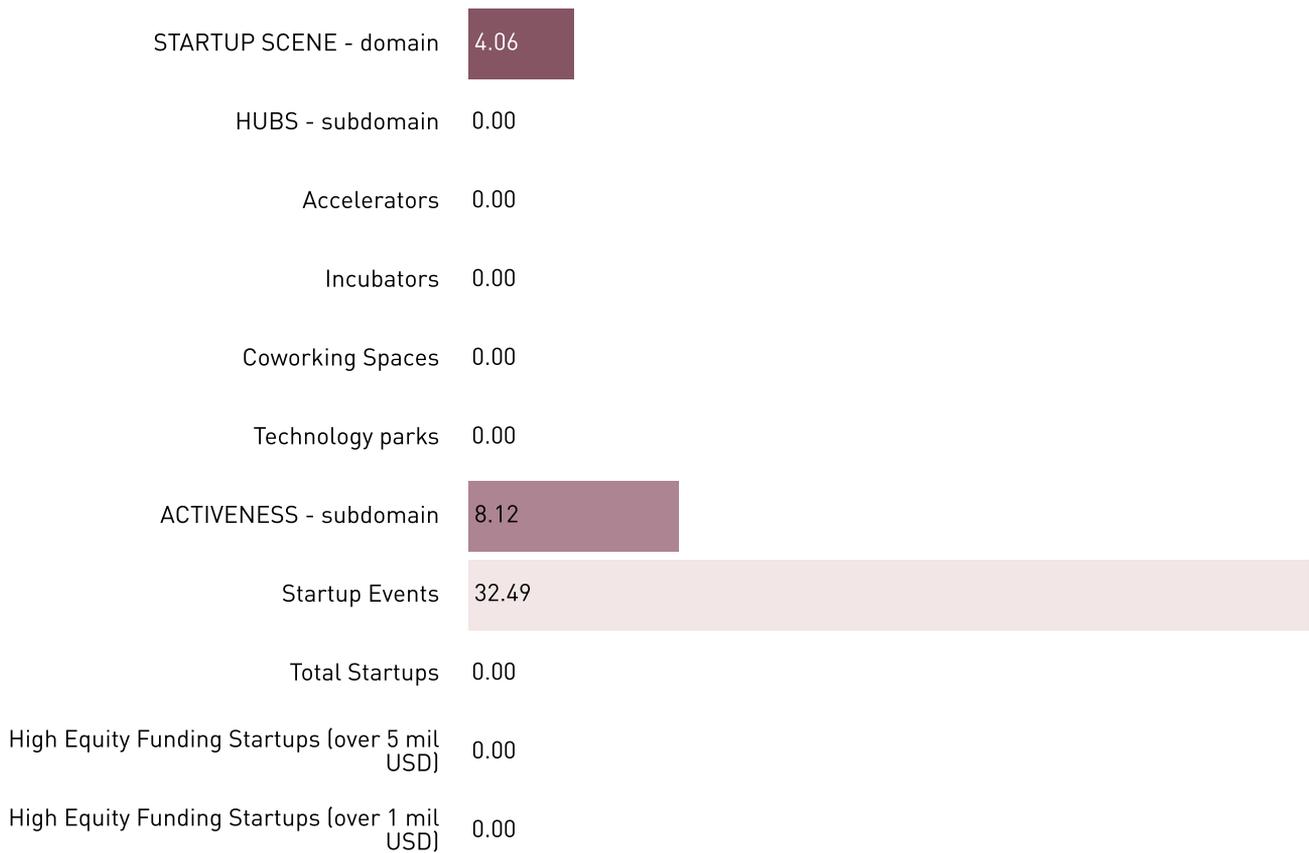
There are currently no known incubators or technology parks in the city. The first and only accelerator and co-working space, GO Community, opened recently. Because of this, Kairouan scores 0,00 in the Hubs subdomain.

With few currently active startups, and none yet at the high-equity stage, the Activeness subdomain also performs similarly, with a score of 8,12. The bright spot in this subdomain is that there are a relatively high number of startup-related events, approximately 10 per month, which may point to growth in this area in the future.

Moving forward, Kairouan stands to benefit from the provisions in the Startup Act encouraging entrepreneurship and providing assistance that may help pave the road for future ventures.

10

average startup events
per month

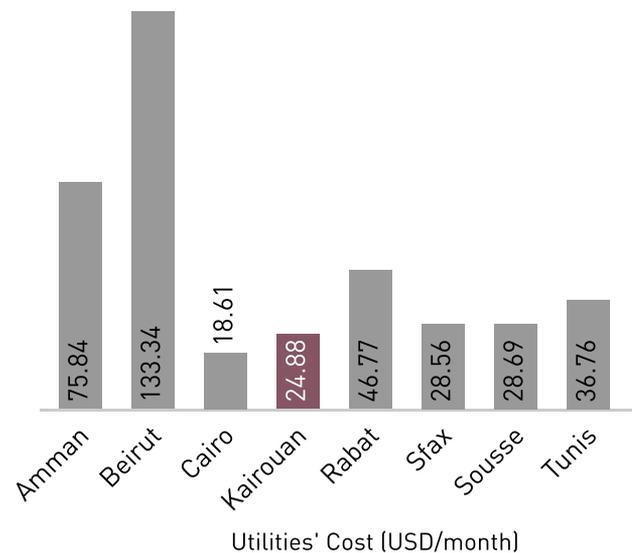


SFI Scores relative to the MENA region, scores range from 0 - 100

4. Infrastructure

Kairouan ranks fifth in the Infrastructure domain in the MENA SFI with a score of 54,85, it ranks third within the Tunisian city only above Sfax.

Kairouan has a developing infrastructure, not as developed as Tunis and Sousse among the cities in Tunisia. In general, the governorate of Kairouan has a basic transport quality with road networks connecting it with the rest of the country. The closest airports are the International Airport of Monastir and the International Airport Enfidha-Hammamet, and the nearest port being the commercial port of Sousse (located 57 km from Kairouan).



\$408
USD/month

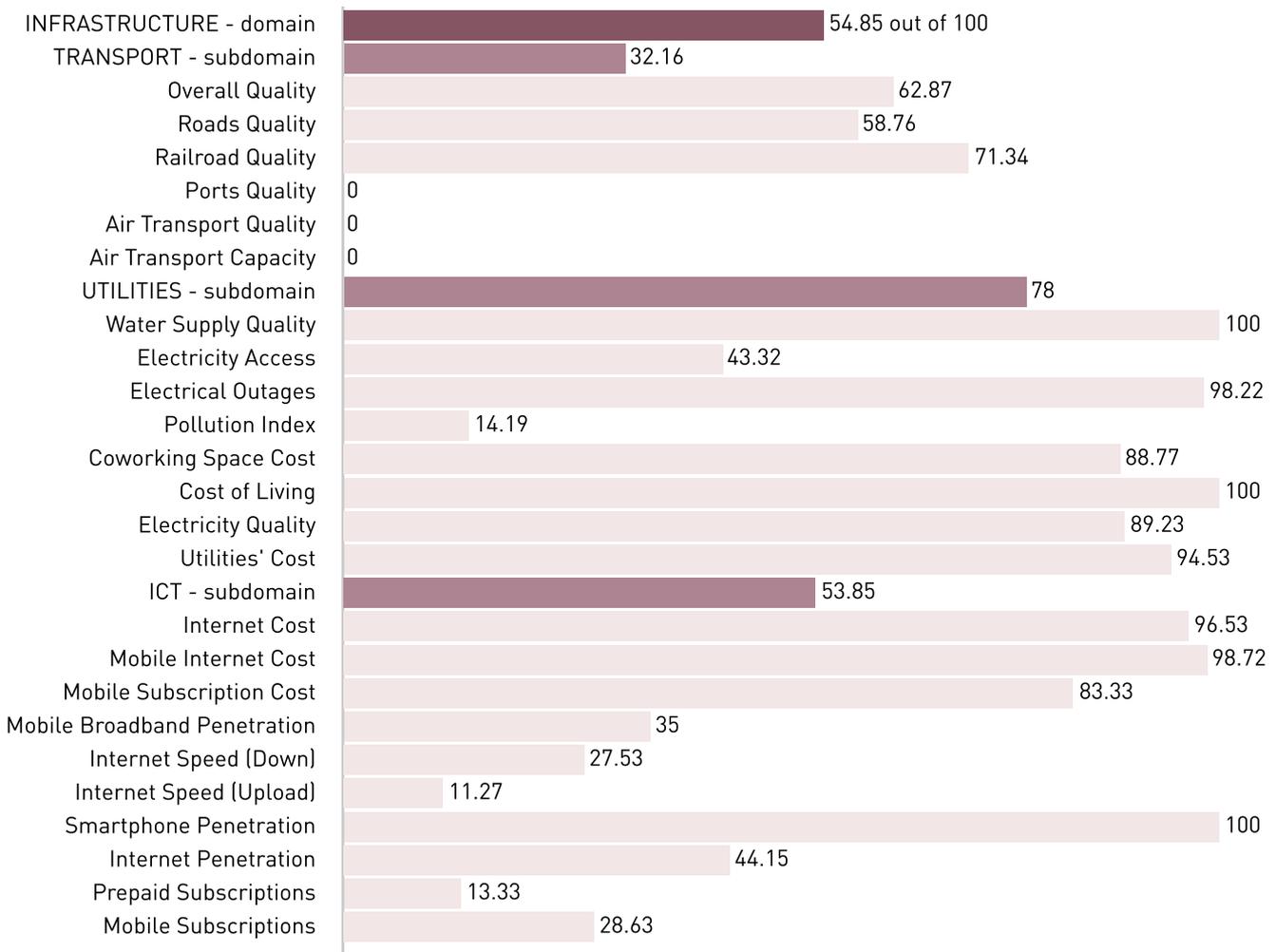
for cost of living - lowest in MENA

The Utility indicators in Kairouan have the second highest score in the Tunisia and MENA SFI, scoring 78,53 (second after Tunis). The city reports less than one electric outage in a typical month, and the governorate has a rate of electrification of 99,7%. The pollution index is 93,96, meaning that air quality in Kairouan is one of the average for the MENA SFI (around 88,7).

In terms of costs, the infrastructure has a slightly more accessible price than other Tunisian cities. On average, Tunisian cities have a cost of \$52 USD for a co-working space, and among the lowest costs in the MENA SFI which has an average of around \$96 USD. Kairouan has also the lowest cost of living in the global SFI, the MENA region, and Tunisia, with an average of \$408 USD a month. Similarly, the utility costs are the second lowest in MENA after Cairo, and the lowest in Tunisia, with an average of around \$25 USD per month.

The ICT infrastructure in the city scores 53,85, above the average in the MENA SFI (around 49). Internet is available affordably in the city (\$12,12 USD/month), which is about the same as the price in Sousse, and internet speed (upload and download) scores well compared to MENA cities: 10,33 Mbps download and 4,63 Mbps upload.

In Kairouan, 10,39% of households were connected to the internet in 2014, considerably lower than the country average of 29%, and around 95% have at least one mobile phone (the same as the Tunisia-wide average).

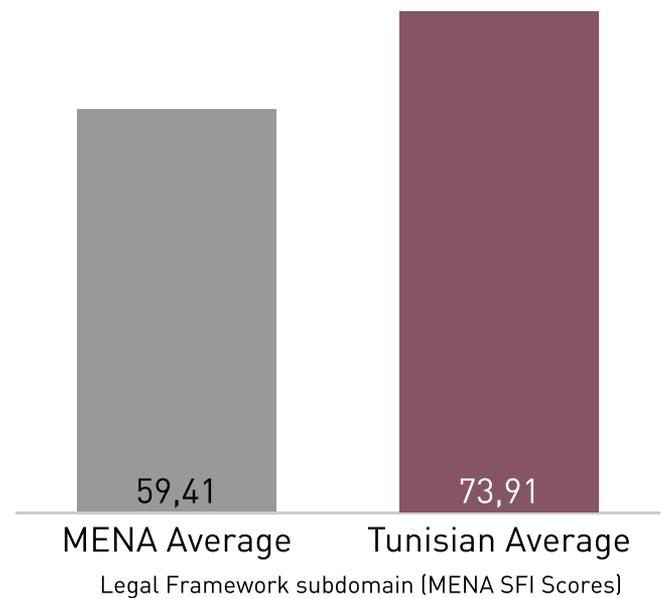


SFI Scores relative to the MENA region, scores range from 0 - 100

5. Macro Framework

In the Marco framework domain, Kairouan scores 67,28 - a similar score to Sousse, and below the scores for Tunis and Sfax. . The Macro domain considers political stability, legal institutions, and crime.

The Political and Legal Framework Indicators in Kairouan are similar to those in the other Tunisian cities, as the national level directly affects them (with the exception of the Crime subdomain). For the political framework subdomain, Kairouan scores 62,30, below Amman and Rabat as the other Tunisian cities. These indicators measure political stability, government effectiveness, regulatory quality, and democracy level.



At the top

on the MENA SFI ranking for Legal Framework as the other Tunisian cities.

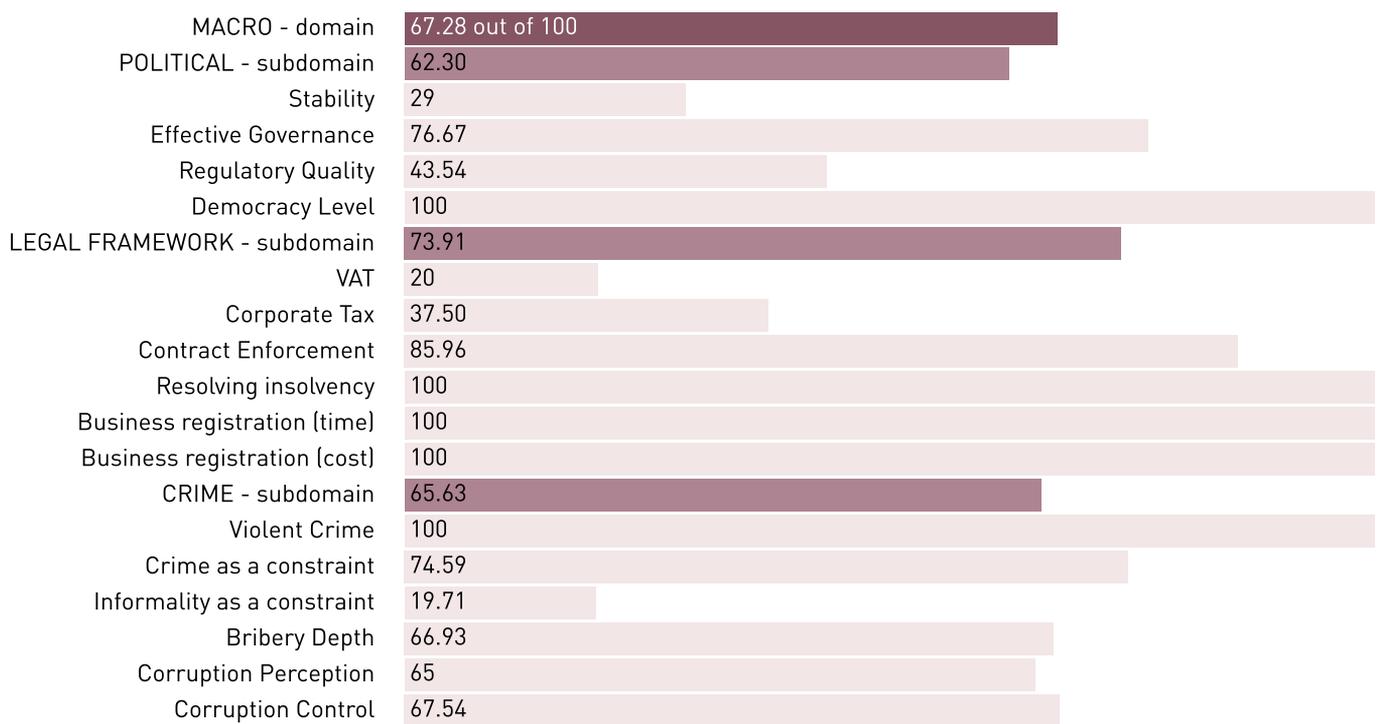
In the Legal Framework domain, Kairouan and the Tunisian cities score higher than the other MENA cities measured by the SFI, with a score of 73,91. This subdomain considers aspects such as VAT, Corporate Tax, Contract Enforcement, Resolving Insolvency, Business Registration time and cost. In general terms, the Tunisian government has enforced the Investment Law that provides for common incentives, specific regional development incentives for industries, crafts and some service activities since 2017.

New Startup Act is part of the national efforts towards the strategy:

Tunisia Digital 2020

Crime is a point of divergence among the measured Tunisian cities. Kairouan has a score of 65,63, the fifth among the MENA SFI and at the bottom compared to the Tunisian cities (scoring the same as Sousse). In the indicator Crime as a Constraint to doing business, 12% of firms identify that crime, theft, and disorder are major hurdles for their business, compared to the MENA SFI average of 11% and higher than Sfax and Tunis. Violent crime is relatively low, though informality is identified as a major problem, with 38% of the firms surveyed identify practices of competitors in the informal sector as a major constraint. Bribery depth, or percentage of public transactions where a gift or informal payment was requested, is identified as 13%, higher than Tunis and Sfax. Overall, corruption is evident in Kairouan (as in other Tunisian cities), approximately at levels similar to other MENA region cities.

38% of firms
identify informal sector as a
constraint



SFI Scores relative to the MENA region, scores range from 0 - 100

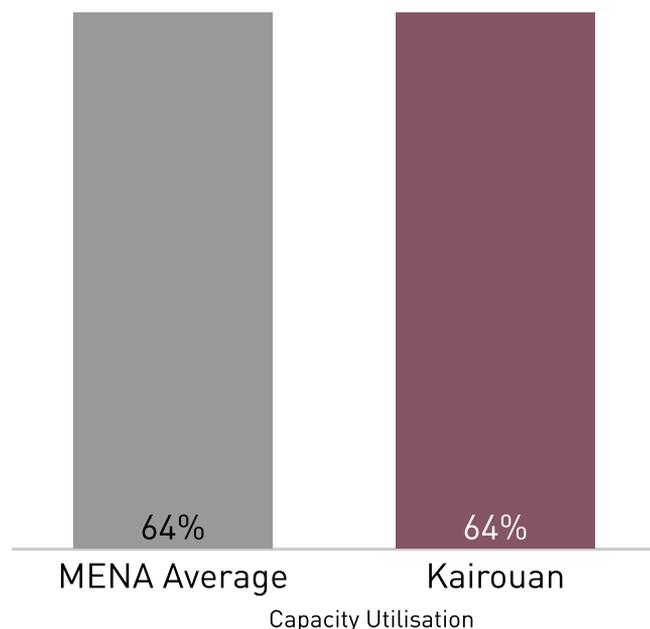
6. Market Conditions

The market conditions in Kairouan are challenging, with a score of 40,04 in the MENA SFI. This ranks third among the Tunisian cities, after Tunis and Sousse. Within the MENA SFI, Kairouan is at the bottom with Sfax, and globally is among the lowest scores (similar to Caracas and Nairobi).

Tunisia's economic and market conditions in general suffered greatly as a logical consequence of the political and economic instability the country has undergone after the Arab Spring in 2011.

3rd among Tunisia

on the MENA SFI ranking for the
Market Conditions

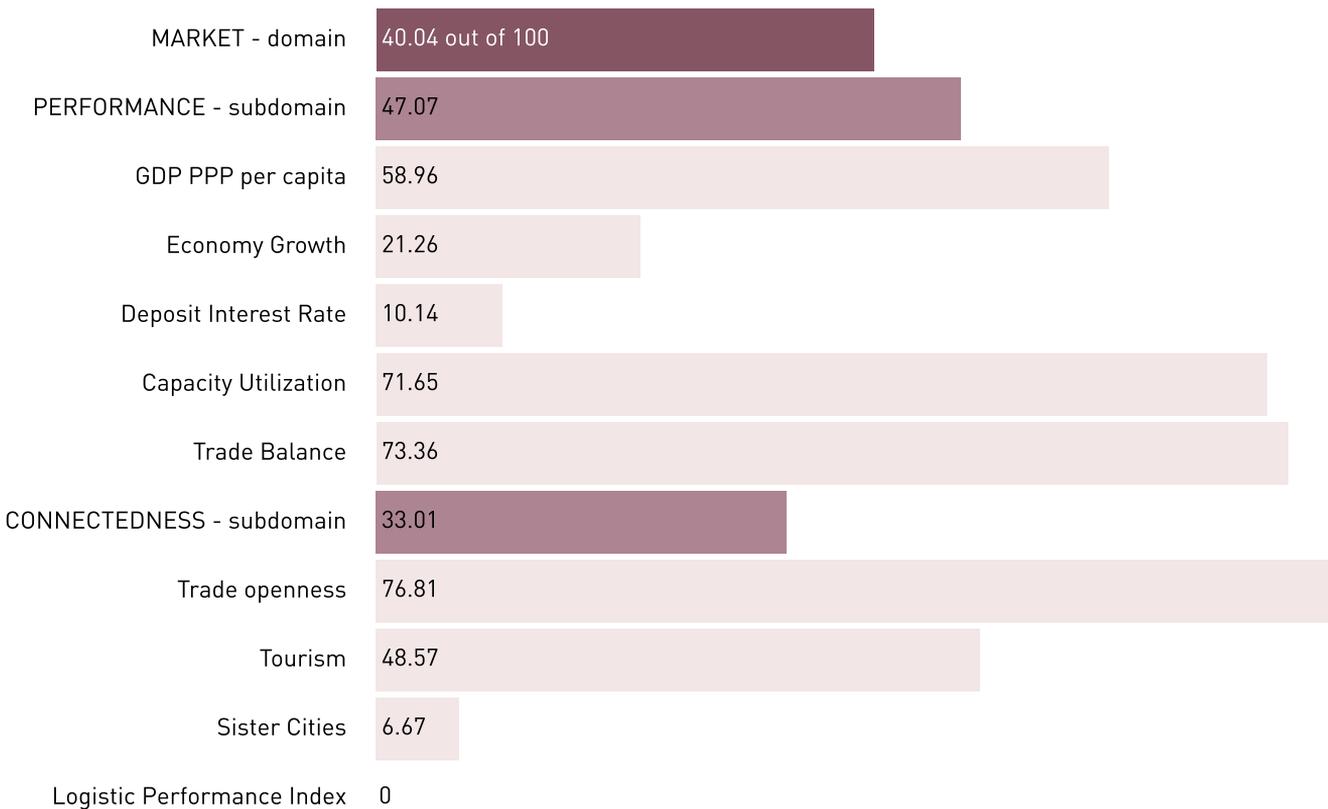


In the Performance subdomain, Kairouan scores 47,07, seventh in the MENA region only above Sfax. This subdomain considers country indicators such as GDP PPP per capita, Economy Growth, Deposit Interest Rate, Capacity Utilisation, and Trade Balance. In terms of the Capacity Utilisation indicator, Kairouan is measured at using 64% of its maximum potential, the same as Sousse, and below Tunis' performance.

The Connectedness subdomain has a score of 33,01, giving Kairouan the third place among the Tunisian cities and almost the last position in the MENA SFI (above only Sfax). Kairouan has eight Sister Cities, a higher number than Sfax but below Tunis and Sousse (with 17 and 10 each, respectively). Kairouan’s tourism is distinguished in the UNESCO World Heritage list, identified as Maghreb’s principal holy city with a rich architectural heritage.

8

sister cities,
above Sfax.



SFI Scores relative to the MENA region, scores range from 0 - 100

References

Kairouan

<https://whc.unesco.org/>

Plan National Stratégique Tunisie Digitale 2020

<https://www.mtcen.gov.tn/>

Projet D'Appui A La Mise En Œuvre du Plan National Stratégique Tunisie Digitale 2020

<https://www.afdb.org/>

Tunisia Regional Data

<http://regions.ins.tn/>

Why Kairouan?

<http://www.investintunisia.tn/>

Indicators and Sources

Indicator Name	Source
Workforce constraint	World Bank, Enterprise Survey
Skilled workers	World Bank, Enterprise Survey
Universities	TopUniversity.com; 4icu.org; Own Research For the Missing Data
University Students	TopUniversity.com; 4icu.org; Own Research For the Missing Data; Berlin Business Location Center.
Tertiary education	World Bank - Gross enrollment ratio, tertiary, both sexes
R&D Expenditure	World Bank - Research and Development Expenditure / OECD Database
Labor regulation constraint	World Bank, Enterprise Survey
Graduate salary	Own Research, Berlin Startup Survey
Software developer salary	Payscale.com, Averagesalarysurvey.com
Female Participation	World Bank, Modeled on ILO estimate
Unemployment rate	International Labour Organization, ILOSTAT database.
Female Entrepreneurship	World Bank, Enterprise Survey
Bank loan	Own Research - Enpact Survey
Self-financing	Own Research - Enpact Survey
Business Angel (BA)	Own Research - Enpact Survey
Accelerators and Incubators	Own Research - Enpact Survey
VC funds	Own Research - Enpact Survey
Public funding	Own Research - Enpact Survey
Funding Constraint	World Bank, Enterprise Survey
Loans Rejected	World Bank, Enterprise Survey
Collateral Required	World Bank, Enterprise Survey
Total VCs / PEs	Map of Active VCs in Asia
FDIs Net Inflows	World Bank
Business Angels (total number)	Angel List
Accelerators	Own Research, Expert Consultation
Incubators	Own Research, Expert Consultation
Coworking Spaces	Own Research, Expert Consultation
Technology parks	Own Research, Expert Consultation
Startup Events	Own Research - Enpact Survey
Total Startups	Crunchbase Pro

High Equity Funding Startups (over 5 mil USD)	Crunchbase Pro
High Equity Funding Startups (over 1 mil USD)	Crunchbase Pro
Overall Quality	World Economic Forum
Roads Quality	World Economic Forum
Railroad Quality	World Economic Forum
Ports Quality	World Economic Forum
Air Transport Quality	World Economic Forum
Air Transport Capacity	World Economic Forum
Water Supply Quality	World Bank, Enterprise Survey
Electricity Access	World Bank, Enterprise Survey
Electrical Outages	World Bank, Enterprise Survey
Pollution Index	Numbeo
Coworking Space Cost	Coworker
Cost of Living	Numbeo
Electricity Quality	WeForum
Utilities' Cost	Numbeo
Internet Cost	Numbeo
Mobile Internet Cost	Own Research
Mobile Subscription Cost	Numbeo
Mobile Broadband Penetration	GSMA intelligence
Internet Speed (Download)	Startup Meter Survey and testmynet.com
Internet Speed (Upload)	Startup Meter Survey and testmynet.com
Smartphone Penetration	Multiple sources; see country comments for more details.
Internet Penetration	ITU
Prepaid Subscriptions	GSMA intelligence
Mobile Subscriptions	ITU
Stability	World Bank
Effective Governance	World Bank
Regulatory Quality	World Bank
Democracy Level	The Economist Intelligence Unit's Democracy Index
VAT	World Bank Doing Business Report
Corporate Tax	KPMG Corporate income tax tables

Contract Enforcement	World Bank Doing Business 2017
Resolving insolvency	World Bank Doing Business 2017
Business registration (time)	World Bank Doing Business 2017
Business registration (cost)	World Bank Doing Business 2017
Violent Crime	Economic Intelligence Unit (EIU) analysts
Crime as a constraint	World Bank, Enterprise Survey
Informality as a constraint	World Bank, Enterprise Survey
Bribery Depth	World Bank, Enterprise Survey
Corruption Perception	Transparency International
Corruption Control	Worldwide Governance Indicators
GDP PPP per capita	World Bank
Economy Growth	World Bank
Deposit Interest Rate	World Bank
Capacity Utilization	World Bank, Enterprise Survey (under Performance)
Trade Balance	World Bank
Trade openness	World Bank
Tourism	World Bank
Sister Cities	Multiple Sources
Logistic Performance Index	World Bank, Logistic Performance Index

About **enpact**

The non-profit association enpact was founded in 2013 with the aim of empowering entrepreneurship in emerging and developing countries. enpact supports founders and startups in Africa, Asia, Latin America, and the Middle East through diverse programmes, from the early idea phase until global market entry. enpact academy develops trainings to foster the quality of startup support organisations, and enpact data lab measures framework conditions (such as the startup friendliness of cities), and derives policy recommendations.

www.enpact.org





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