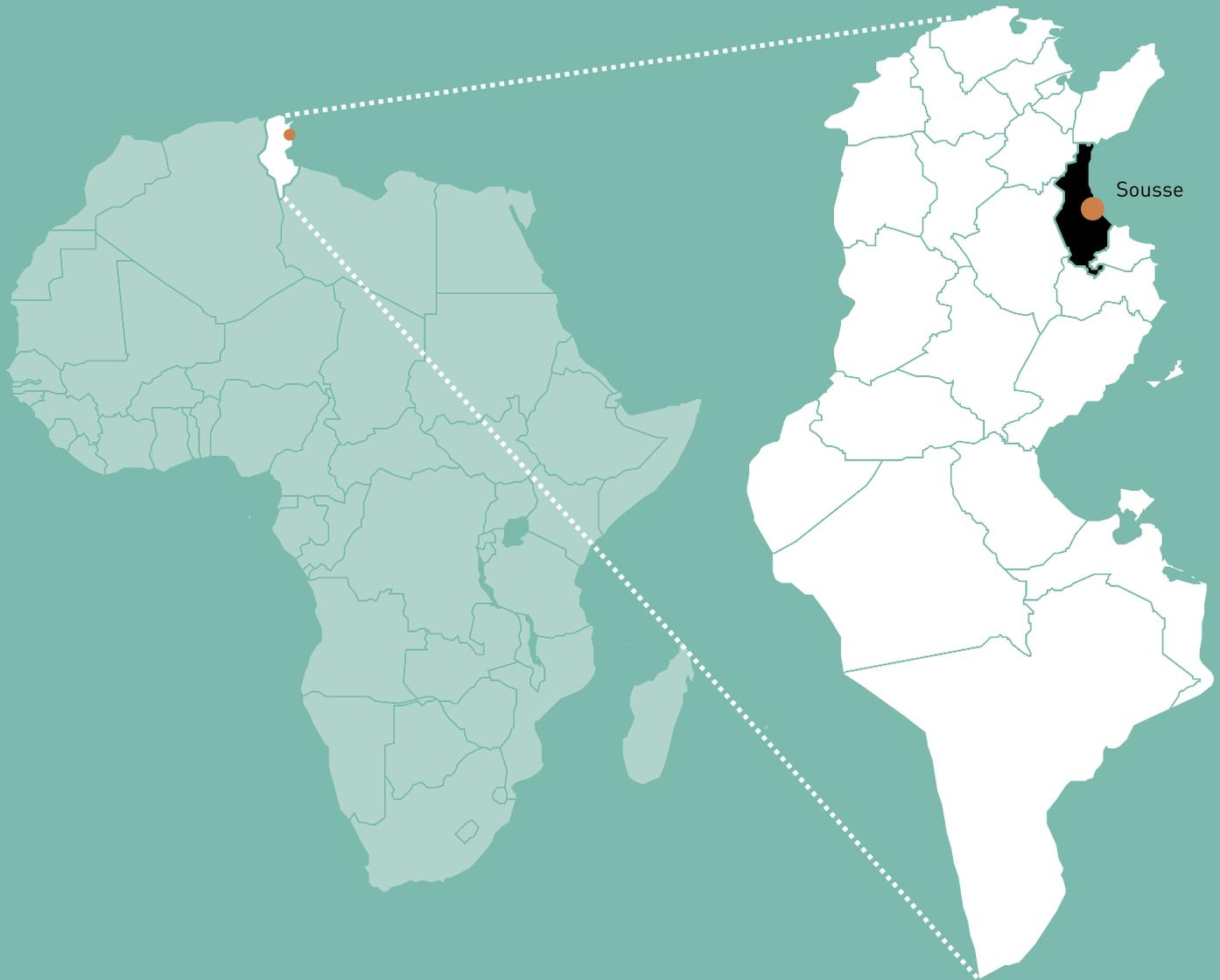


Startup
Ecosystem
Report
Sousse | Tunisia

Sousse | Tunisia



Africa and Tunisia

Tunisia and the Governorate of Sousse

Sousse is the capital city of the Governorate of Sousse, a province located on the northern coast of the Tunisian Sahel that stretches along the Mediterranean coast for 75 km. The city of Sousse has a population of 197.957 people, making it the third largest city in Tunisia (after Tunis and Sfax). It is bordered by the governorates of Nabeul in the North, Zaghouan and Kairouan in the West, and Mahdia in the South. It is now an emerging, expanding, and dynamic regional metropolis, known as a tourist destination and one of the pillars of the national economy.

Sousse's startup ecosystem is developing well, keeping pace with Tunis due to its wealth of human capital, strong infrastructure, and favourable market conditions. These opportunities have yet to be fully capitalised on, as evidenced by a fairly early-stage startup scene overall.

The Startup Friendliness Index (SFI)

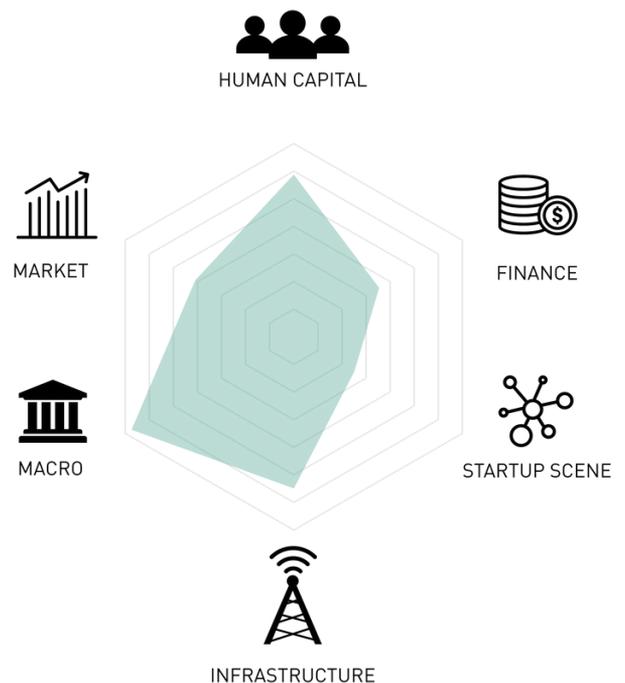
A startup ecosystem is formed by entrepreneurs, startups in their various stages, and numerous other organisations such as universities, investors, accelerators, co-working spaces, legal and financial service providers, and government agencies. Through the complex interaction of these players, a startup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

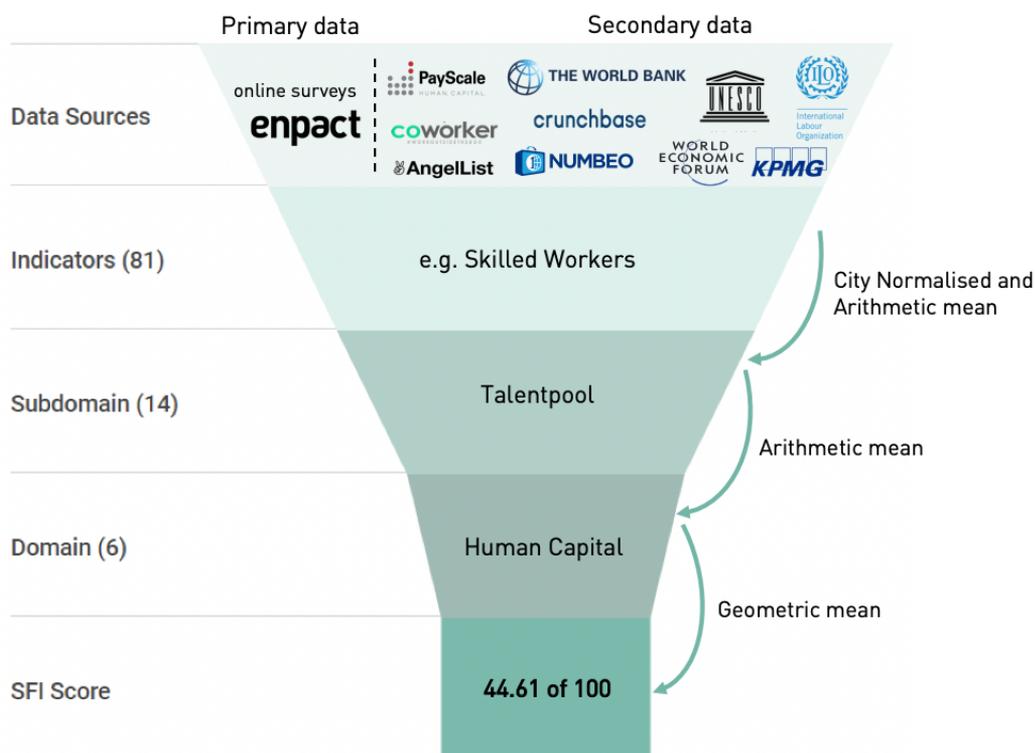
The SFI relies on data procured from a combination of primary data, collected through surveys and interviews, and secondary data from established sources such as the World Bank and World Economic Forum. Once gathered, the data are normalised so that the index values can be used to compare the cities 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.



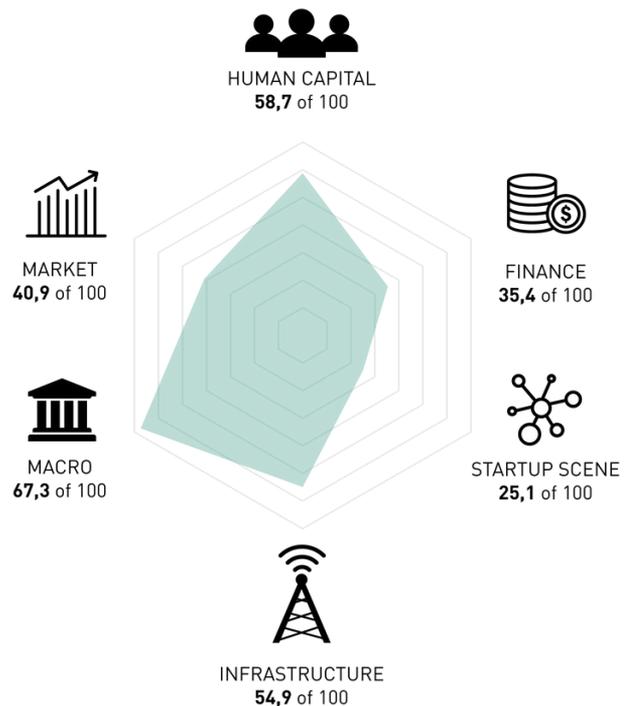
Executive Summary

The city of Sousse scores 44,61 of 100 in the MENA Startup Friendliness Index, and ranks in position 9 of 19 in the global SFI. There are considerable imbalances in the city, with high scores on Human Capital, Infrastructure, and Macro framework, and challenges in terms of access to Finance, Market conditions, and a young Startup Scene.

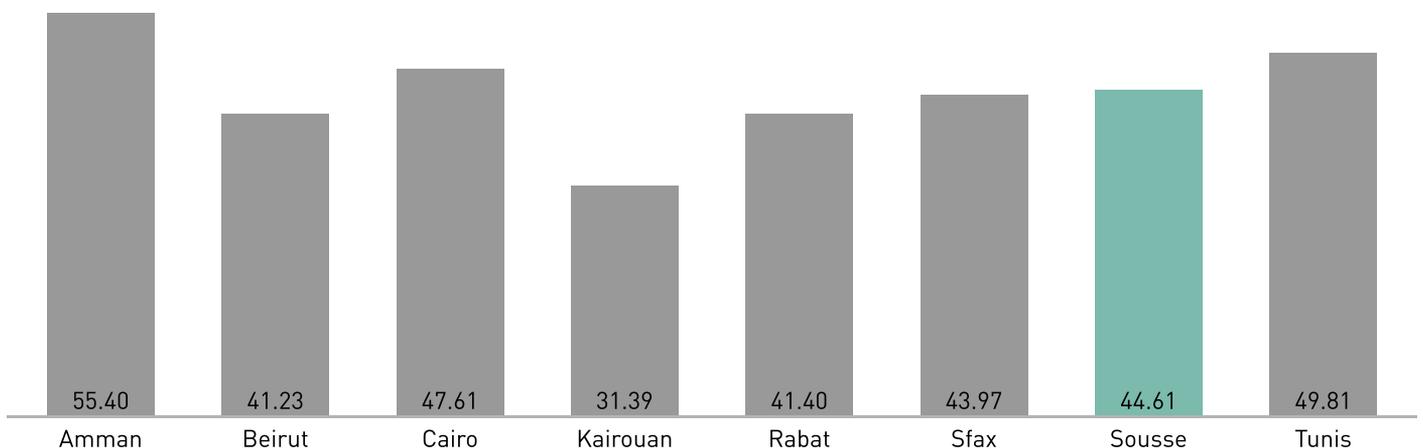
44.6 of 100

Sousse’s greatest strength is Human Capital, ranking 5 of 19 in the global SFI. In the Finance sphere, the city has the lowest score in Tunisia as a consequence of the lack of financing sources for entrepreneurs. Its Startup Scene is in the early stages, though with several points of optimism presenting opportunities for continued growth. In terms of the Infrastructure domain, the city has developed access by air, sea and road, and affordable, high-quality utilities. The Market conditions are challenging, a logical consequence of the political and economic instability the country has undergone after the Arab Spring in 2011, although Sousse is benefited by a strong tourism infrastructure.

Sousse Startup Ecosystem



Sousse generally scores favourably in the Macro domain (which considers political stability, legal institutions, and the impact of crime), though crime does remain a local concern that needs to be addressed to improve attractiveness.



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.

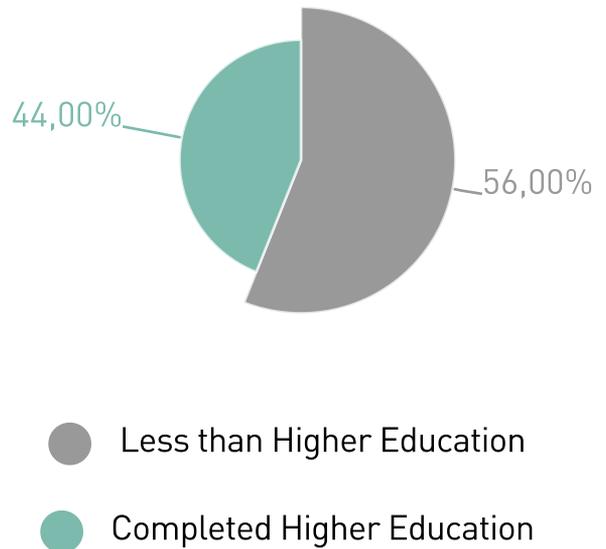
Startup Friendliness Index Sousse | Tunisia

DOMAINS AND INDICATORS

1. Human Capital

Human Capital is a strength for Sousse. Scoring 58,72 of 100, Sousse has the highest rank of all cities in the MENA region on this domain.

With approximately 14 universities, 37.500 university students, and many professional training opportunities, Sousse is an education hotspot in Tunisia. The effect is particularly pronounced given Sousse’s low population, meaning that these educational resources are accessible to a larger proportion of residents than in the larger cities of Sfax and Tunis. This is evident even in terms of the total of geographic proximity, with over two-thirds of the residents in Sousse located within 1 km of a primary education facility.



14

Number of Universities



37.500

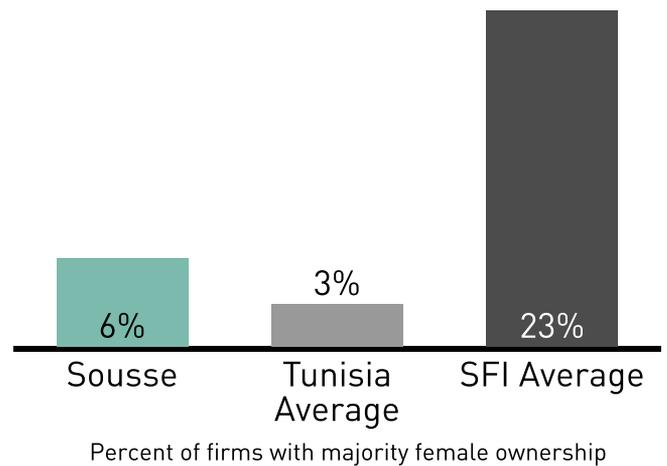
Number of University Students

Though Sousse has relatively strong levels of employment compared to other major cities in Tunisia, the city still faces unemployment levels of 11% (as of 2014): 9% for men, and 16% for women. These high rates place Tunisia in the lowest ranking for this indicator not only in the MENA region, but the global SFI as well, illustrating the clear need for alternative employment options.

Because of these favourable conditions, a very high percentage of adults in Sousse have completed higher education (44%), a significant achievement for the region. Seventy-eight percent of Tunisians are considered skilled workers, ranking second in the MENA region. However, the percentage of firms in Tunisia who identify access to talent as a major constraint (39%) is still considerable, perhaps representing a disconnect between traditional educational standards and the skills that are sought-after by modern employers.

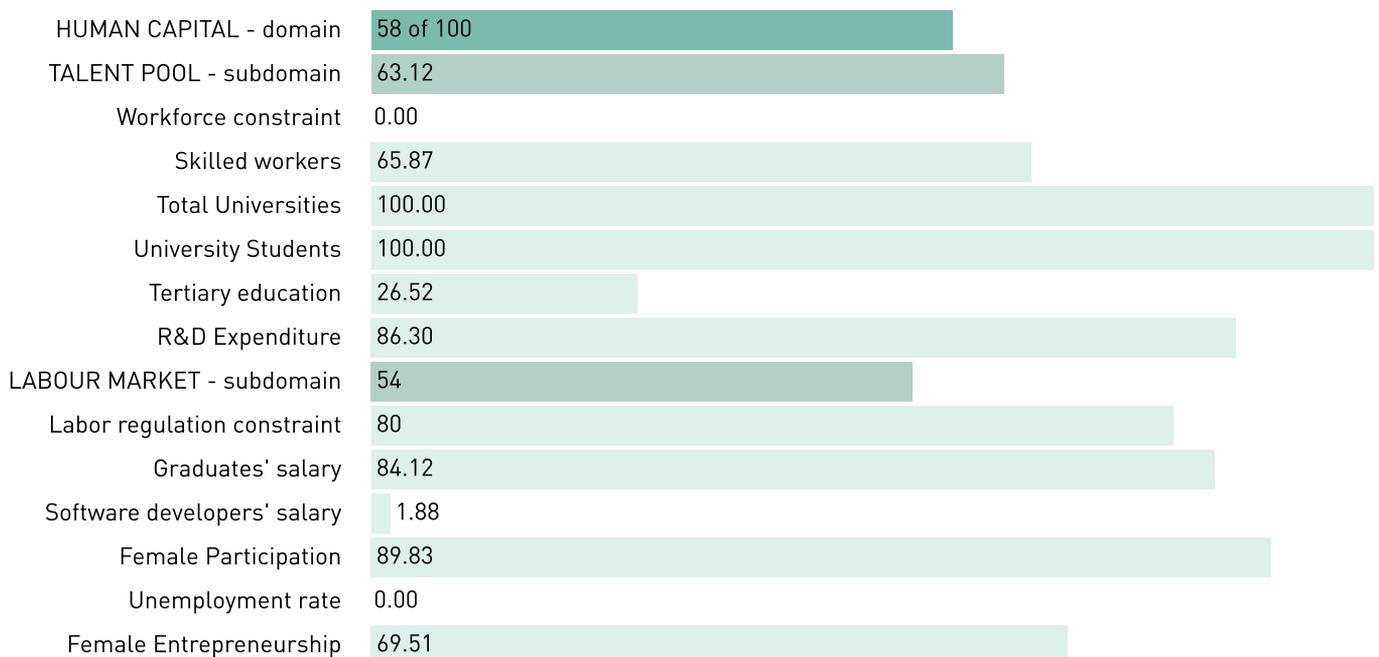


Employment prospects are particularly challenging in the Southern and interior rural regions of the country, causing a “brain drain” phenomenon to occur in the form of migration to the major coastal cities. While this presents challenges for Tunisia as a whole, it may be an opportunity for cities such as Sousse, who are experiencing an influx of human capital that could help to partially offset the migratory flow of Tunisians out of the country on a local level. However, this is in the context of a city with high unemployment, so active effort will need to be taken to capitalise on this potential source of growth.



For those seeking to start a new venture in Sousse, an advantage for the city is the availability of labour at a relatively affordable rate in comparison to the major city of Tunis. With an average monthly salary for a recent graduate of approximately \$371 USD/month, labour is available in Sousse for a bit over half the rate of Tunis.

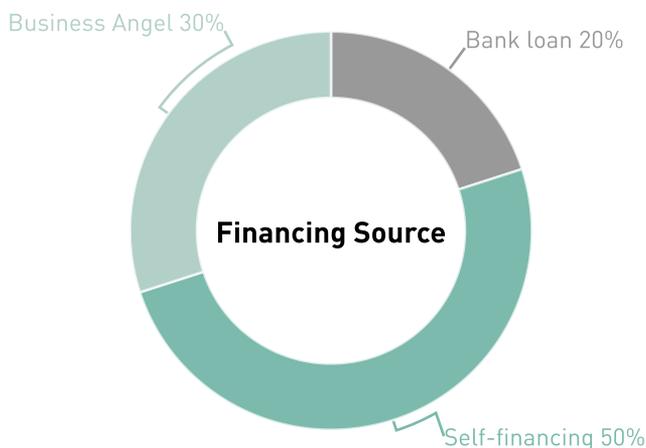
Despite being the highest scorer in terms of female entrepreneurship in Tunisia, at about 6% Sousse still has low rates of firms with majority female ownership relative to the average of all cities in the global SFI (14%). Integrating women further into the formal economy is a clear area of opportunity for the city.



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

2. Finance

Sousse scores 35.41 of 100 in the Finance domain, higher only than Rabat and Kairouan in the MENA region, and towards the bottom of the global SFI. This is primarily due to a low score in the System subdomain given the lack of VCs, Business Angels, and Foreign Direct Investment.



Sousse scores 47.58 in the Sources subdomain, ranking the city at position 4 of 19 of the global SFI. This relatively strong score is assisted by favourable rankings on the Bank Loan and Self-Financing indicators, illustrating the availability of bank loans relative to other SFI cities, and a lower than average number of individuals relying on self-financing for new ventures.

In Sousse, from the entrepreneurs surveyed approx. 50% were self-financed, less than the global SFI average of 65%. As an alternative, about 20% of entrepreneurs were able to secure a bank loan (compared to the global SFI average of 7%), despite about 10% of bank loan applications being rejected (a figure that is approximately average for the MENA region, though more challenging than other SFI cities). Additionally, nearly 90% of bank loans require collateral, a higher figure than the global SFI average.

Financing a new venture is always a major hurdle for new businesses, particularly so in smaller cities that may not yet be top of mind for investors. In Sousse this is evident given the total lack of VCs, and the slow influx of FDI net inflow (less than \$1 billion USD annually for all of Tunisia). Sousse is also clustered with other SFI cities at the bottom of the ranking in terms of the availability of Business Angels and Accelerator funding.

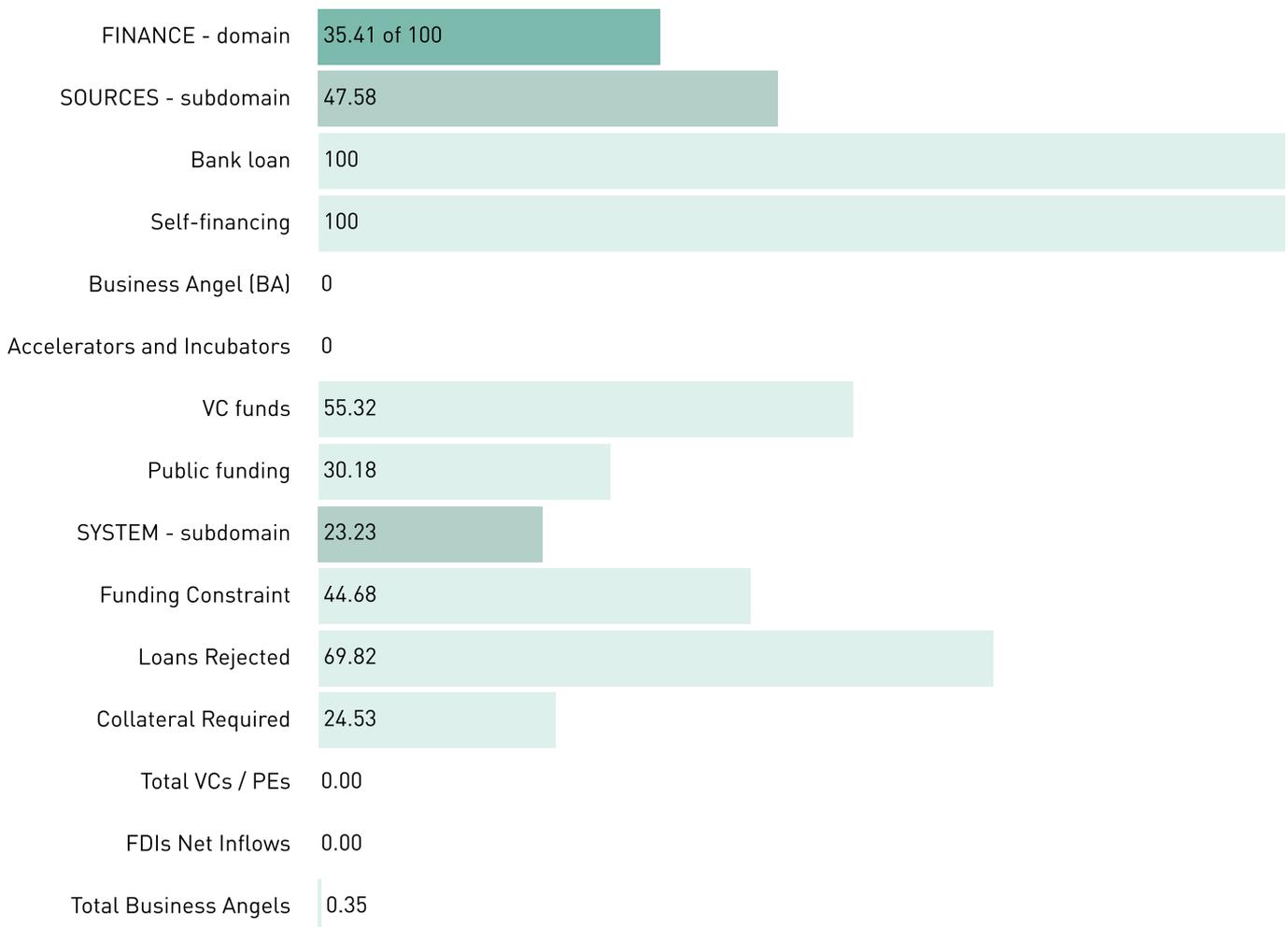


Less than \$1 billion USD
 national annual FDI net inflow

Because of these challenging circumstances, 32% of firms identify access to funding as a major constraint to doing business, the highest percentage within Tunisia, and also a poor performance relative to the MENA region at large.

The Startup Act passed by the Tunisian government in 2018 aims to address some of these financing challenges. Additional funding opportunities on a local and national level would greatly enhance the ability for startups to flourish in the city.

32%
of firms identify access to
funding as a major
constraint



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

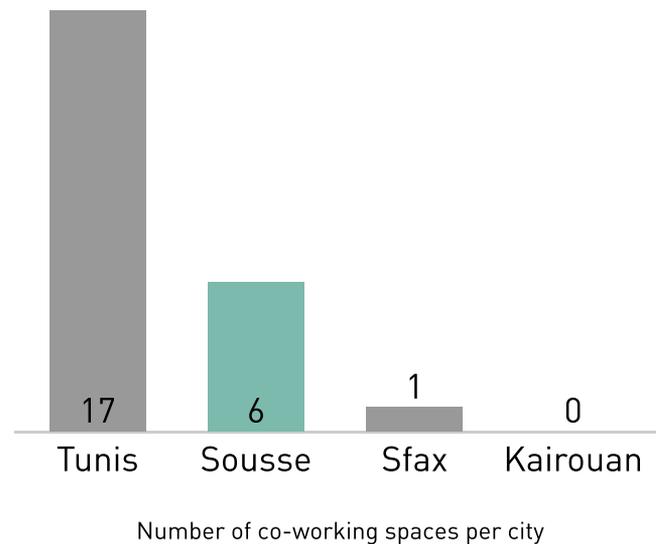
3. Startup Scene

Sousse's Startup Scene is in the early stages and developing consistently. With a score of 25.12 of 100, Sousse ranks in the top third of cities in the global SFI. Within Tunisia, Sousse is approximately in-line with Sfax, though Tunis ranks higher (however, it is important to consider Sousse's small population size when interpreting the results, as this influences them favourably).

At this time, there are few active accelerators, incubators, or technology parks in Sousse. The first incubator in the city, The 777, opened in late 2017. There are approximately six co-working spaces in Sousse, which while a low total number relative to a larger city like Tunis (which has nearly 20), is significant for a city with a population as small as Sousse's. Another resource for the city is the Foreign Investment Promotion Agency of Tunisia (FIPA), a technology park dedicated to the mechanical, electronics, and IT sectors, with a business incubator and a technological resource centre.

Success Case:

Enova Robotics

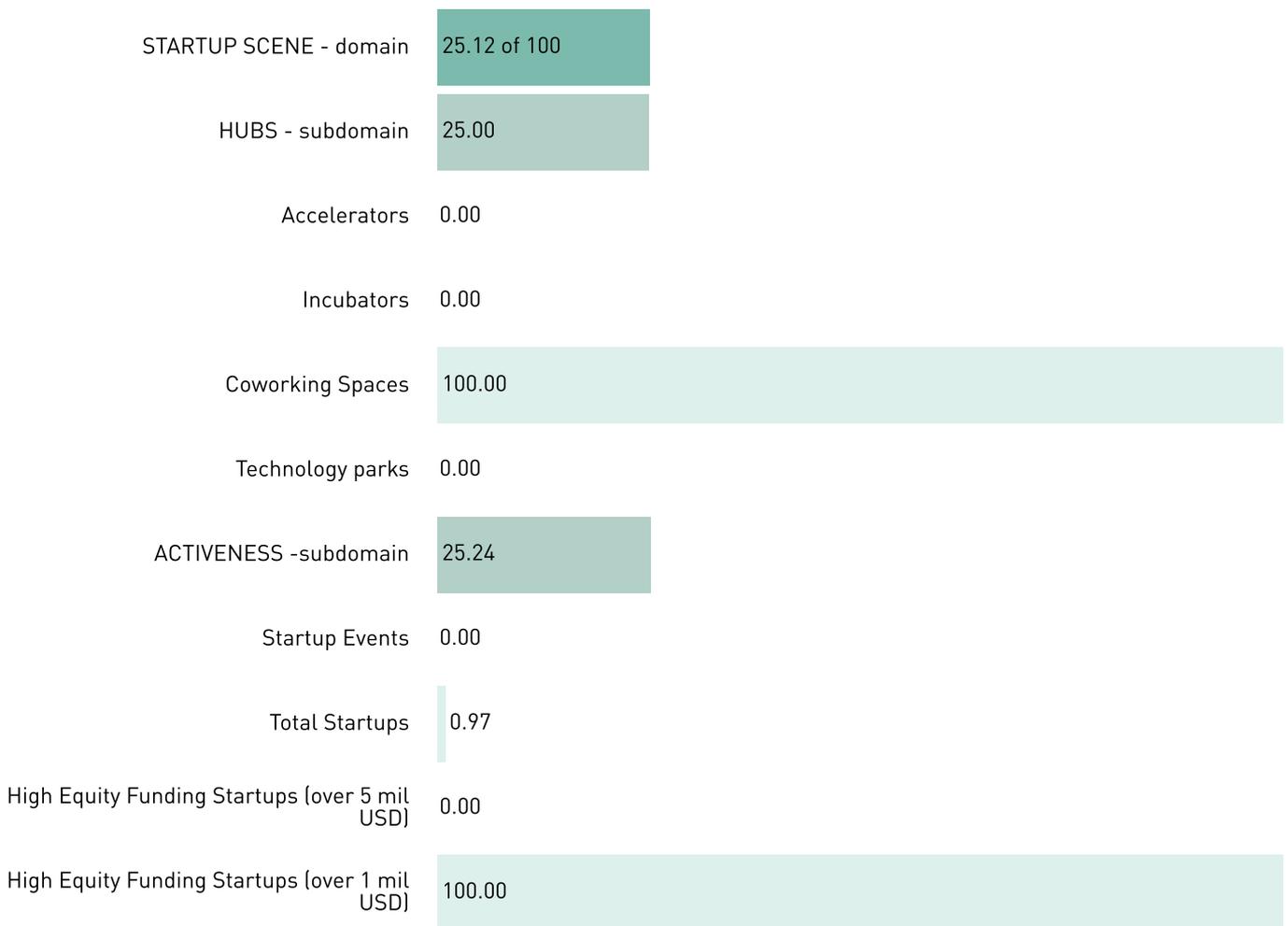


Though there are only a small number of startups at this time, one success case has already become evident, Enova Robotics. This is relevant, because high-equity cases (those valued over \$1 million USD) are a significant indicator of the potential of a startup ecosystem. Not only do they offer proof of concept, but they are a huge value-add to the community in terms of know-how and inviting attention from potential investors. Additionally, it is often the case that employees from successful startups go on to begin their own ventures, thereby further contributing to the growth of the ecosystem.

Events related to startups are still rare in Sousse, with about four per month on average. This is about one-fifth as frequent as the global SFI average, though not a surprising find for a city with a low total number of startup organisations.

4

average number of startup events per month



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

4. Infrastructure

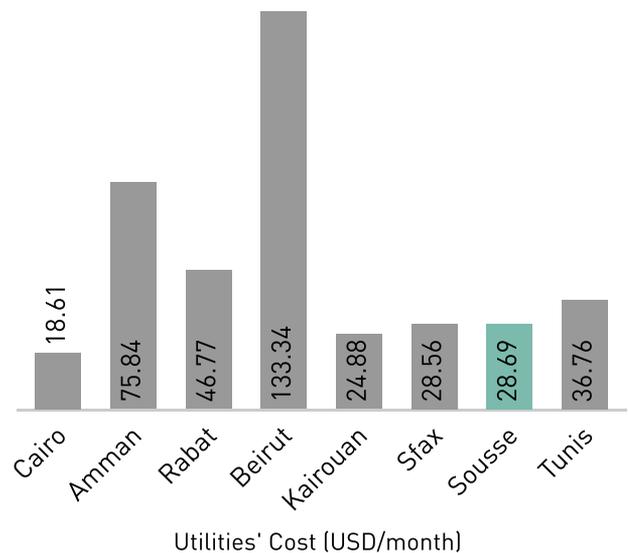
Sousse's Infrastructure domain scores second (after Tunis) in a country comparison, and fourth in the MENA SFI with a score of 54,87 (after Amman, Rabat, and Tunis).

According to the Foreign Investment Promotion Agency of Tunisia (FIPA), the governorate and city of Sousse has a modern and developed infrastructure that is accessible by air, sea and road. Two nearby airports (International Airport of Monastir and Enfidha-Hammamet International Airport), a commercial port, and a large marina (El Kantaoui) are located in the region. A Tunis-Sousse-Sfax motorway connects the region to the largest cities in the country, as well as national roads connecting it to the neighbouring governorates. Finally, a railway connects Sousse to the main cities of the country and a light rail line serves the entire coastal region of the Sahel.

3

months to obtain a new connection to electrical services

However, on aggregate, transportation infrastructure in Sousse still ranks relatively low compared to other cities in the MENA SFI with a score of 32,16 (compared to Rabat at the top score of 88,52). While roads and railroads rank towards the centre of all studied cities, ports, air transport quality, and total air transport capacity all rank in the bottom third of global SFI cities.

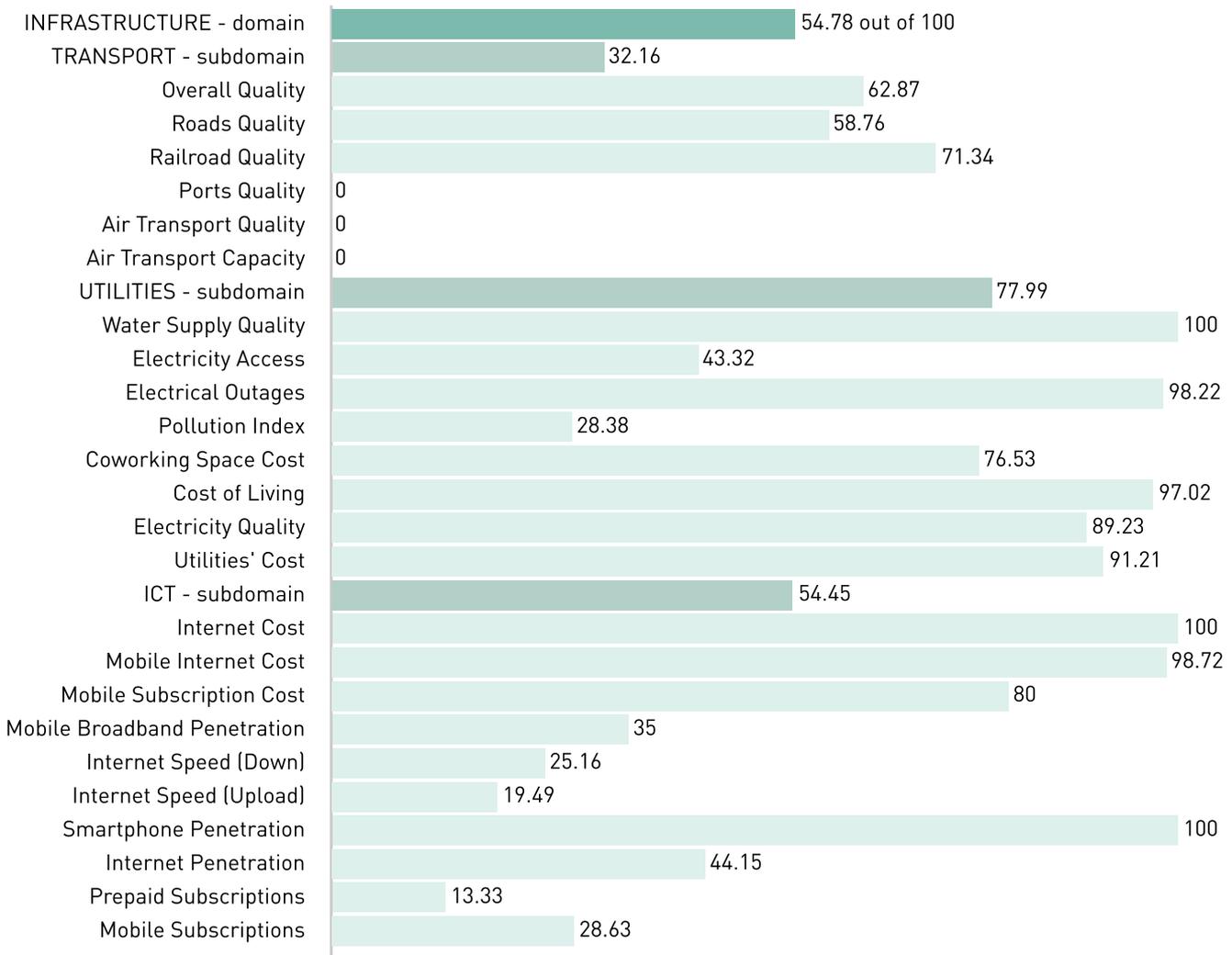


In terms of utilities, Sousse scores very well with a score of 77,99 in the MENA SFI. The number of electrical outages in a typical month is only 0,6, considerably better than the global SFI average of close to five monthly outages. Generally, electrical quality is high. A disadvantage is the average time it takes to access electrical services is significant in Tunisia, averaging nearly three months to obtain a new connection (as of 2015). In contrast, access to water services is typically available on a same-day basis.

With a pollution index of 90,23, air quality in Sousse is slightly poorer than average for the MENA SFI (around 88,7).

Overall, Sousse scores well on measures of ICT availability and affordability. Internet is available affordably in the city (\$10,50 USD/month), and internet speed (upload and download) scores well compared to MENA cities: 9,48 Mbps download and 7,6 Mbps upload.

In Sousse, 37% of households are connected to the internet (compared to the country average of 29%), and nearly 98% have at least one mobile phone (the same as the Tunisia-wide average).

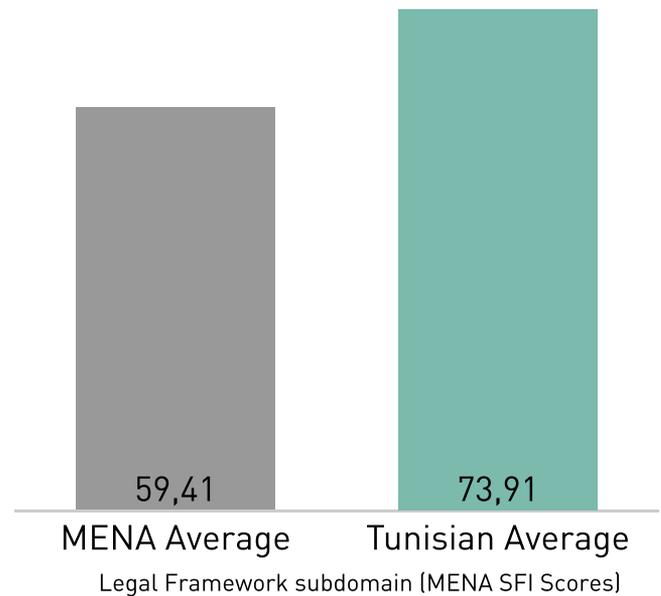


SFI Scores relative to the MENA region, scores range from 0 - 100

5. Macro Framework

The Macro domain considers political stability, legal institutions, and crime. Sousse scores 67,28 in this domain for the MENA region, positioning Sousse at 5 out of 8 MENA SFI cities.

Within Tunisia, these frameworks are largely similar across cities, though they differ on the indicators relating to crime. In terms of the Political subdomain, Tunisia's score of 62,30 outpaces Cairo and Beirut, though is not as favourable as Amman and Rabat. This subdomain contains measures of political stability, effective governance, regulatory quality, and level of democracy.



The legal framework is also largely national, and with a score of 71,29 in the MENA SFI Tunisia scores the highest relative to others in the region. The Legal subdomain considers regulation for corporations, VAT, contract enforcement, and business registration. As mentioned previously, a National Strategic Plan and other legal reforms including the Startup Act are being executed, with implementation scheduled to begin in April 2019.

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

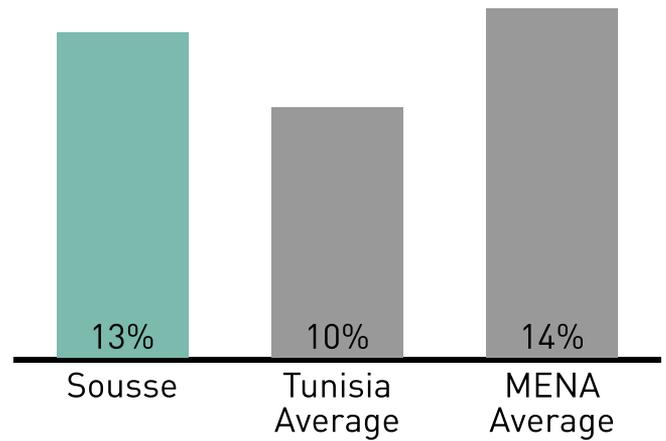
Tunisia Digital 2020

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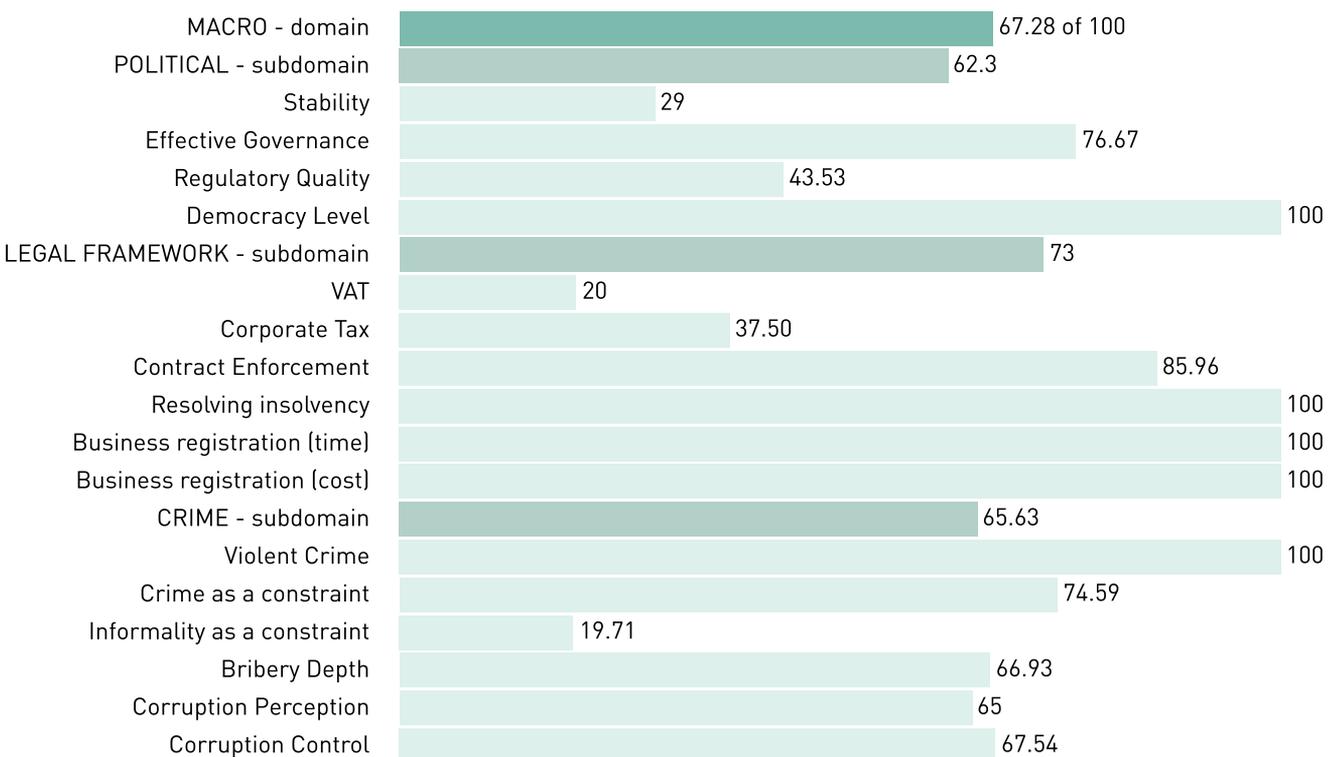
on the MENA SFI ranking for the Macro Framework - considering political and legal framework as well as the crime factor.

Crime is an area of divergence between the Tunisian cities. With a score of 65,63, Sousse ranks 5 out of 8 in the MENA SFI; scoring lower than Amman, Tunis, and Sfax in the region. On the indicator of 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%), which is higher than other Tunisian cities.

Violent crime is relatively low, though informality is identified as a major problem, with Sousse at the bottom for the MENA region (only Rabat scores less favourably on this indicator). Bribery depth, or percentage of public transactions where a gift or informal payment was requested, is identified at over 13%, higher than other Tunisian cities and similar to the average of MENA cities. Overall, corruption is evident in Sousse, approximately at levels similar to other MENA region cities.



Percentage of public transactions where a gift or informal payment was requested



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

6. Market Conditions

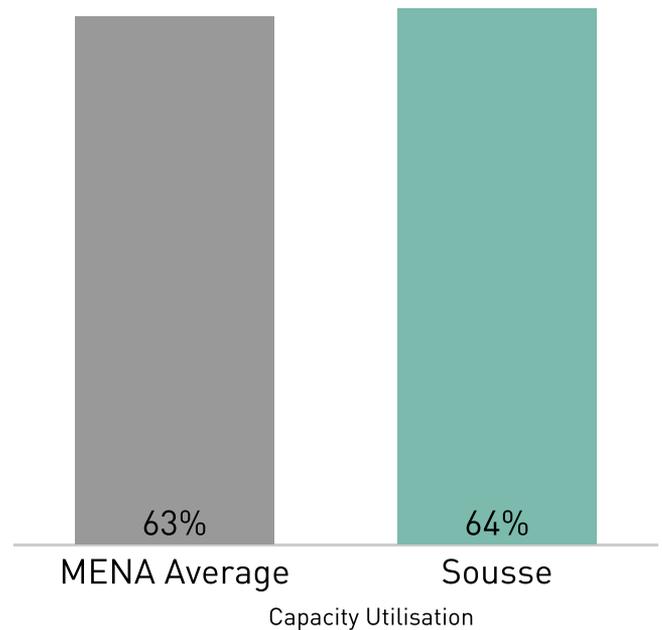
Market conditions in Sousse are generally challenging relative to other SFI cities. With a score of 40,88, of 100 Sousse ranks at position 6 of 8 in the MENA SFI.

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.

6 of 8

on the MENA SFI ranking for the Market Conditions.

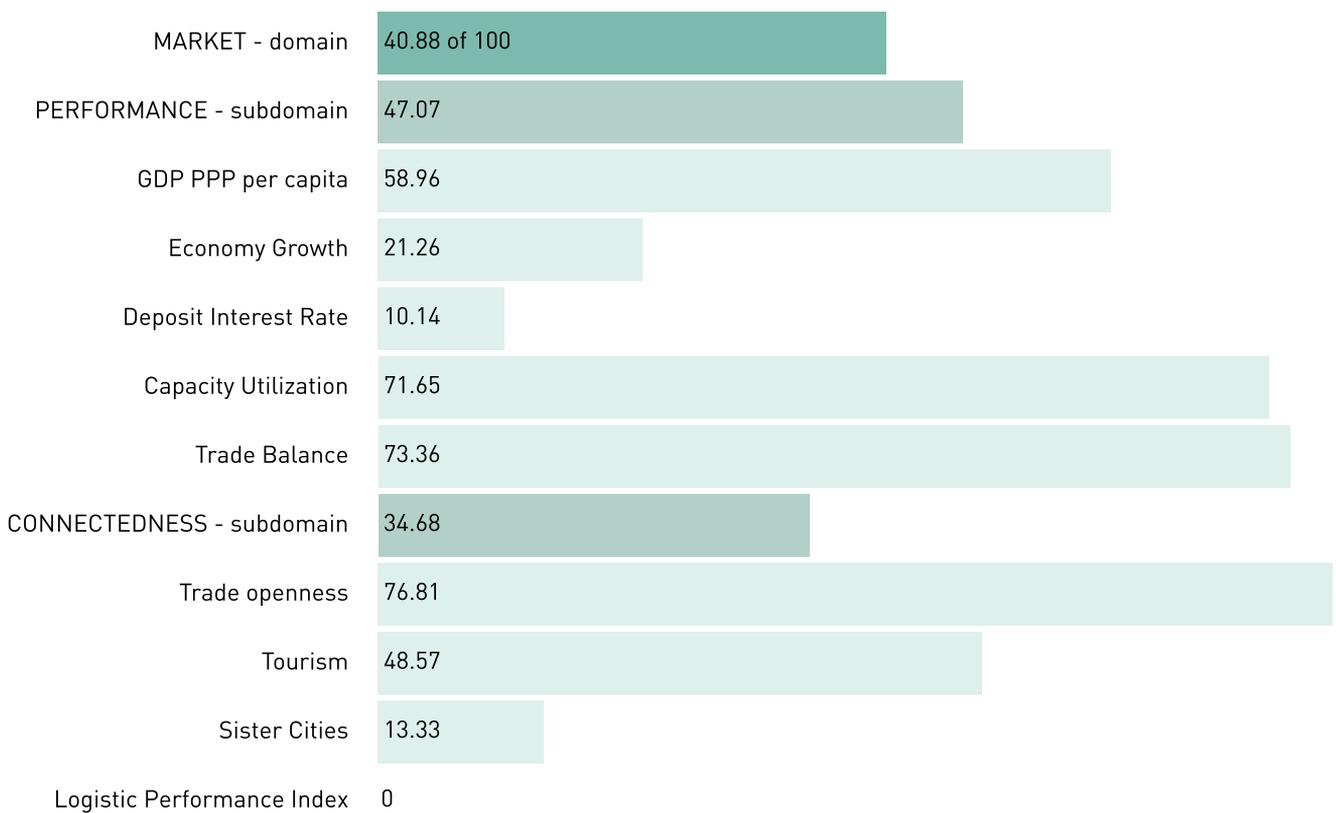
For the Performance subdomain, the city scores 47,07 and ranks at position 6 in the MENA SFI. This subdomain considers country indicators such as GDP PPP per capita, Economy Growth, Deposit Interest Rate, Capacity Utilisation, and Trade Balance. In terms of Capacity Utilisation, three of the four Tunisian cities score the worst of all MENA SFI cities, with Sousse at position 6 (utilising only 64% of total potential). These factors contribute to a weak trade balance for the country.



The Connectedness subdomain measures trade openness, tourism, sister cities, and logistic performance potential. Tunisia scores well in terms of trade openness, with the governorate of Sousse having 397 foreign-invested enterprises operating in the tourism, industry, agriculture and services sectors in the city.

Considering population size, tourism contributes considerably to Tunisia’s economy. Although it is not fully developed in all cities, it greatly contributes to Sousse’s local economy. Sousse is recognised as the second tourist hub in the country, with 98 hotels and tourist areas with 60.000+ beds. This is, however, within the context of a city that is struggling to overcome the effects of a serious terror attack in 2015, which has significantly damaged the location’s tourism draw.

397
foreign-invested tourism
enterprises



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

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

The Tunisian Startup Act

<https://carnegieendowment.org/>

Tunisia Regional Data

<http://regions.ins.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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