

Startup Ecosystem Report Egypt

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enpact
data lab

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Startup Haus Cairo

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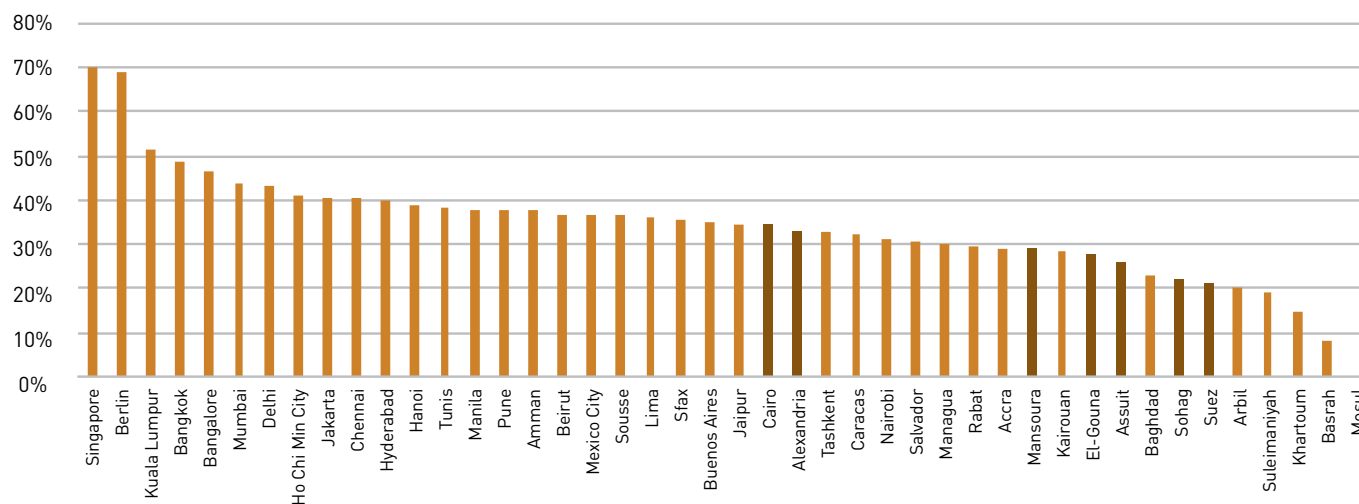
The Startup Friendliness Index (SFI)

In the field of entrepreneurship, startup ecosystems play an important role. A startup ecosystem is formed by entrepreneurs, startups in their various stages, and numerous other entities 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 potential for cities to advance entrepreneurship by measuring six key features (domains) of the startup ecosystem: Human Capital, access to Finance, the liveliness of the Startup Scene, Infrastructure quality, Macro framework, and Market conditions. Together, these six domains interact to form an urban environment that can champion or hinder entrepreneurship.

SFI SCORES



Research Design

The SFI analyses data on 80 key indicators within the six domains representing core elements of a startup ecosystem, utilising 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.

In terms of primary data-gathering, eight indicators are collected through surveys from entrepreneurs and experts living in the measured cities. In Egypt, approximately 220 survey respondents contributed to our research.

Additionally, 10 interviews with relevant stakeholders in Egypt's startup ecosystem were conducted to complement the information from the surveys and secondary data.

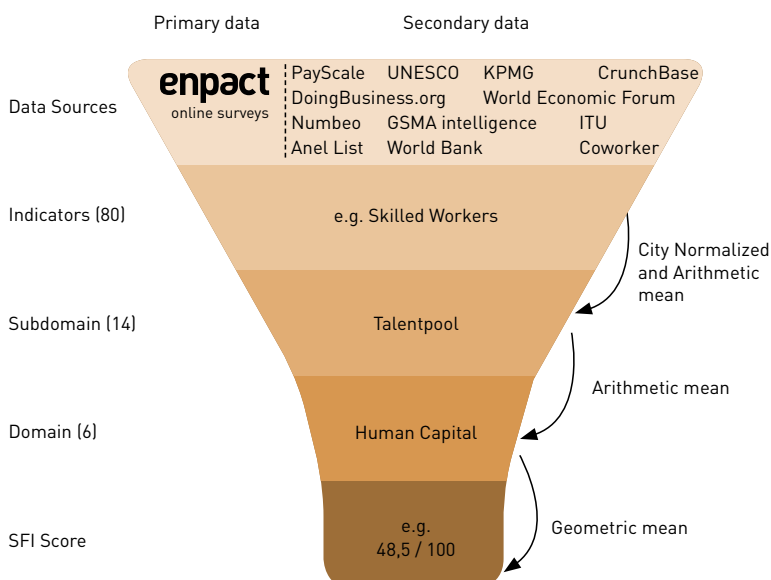
Once gathered, the data is normalised so that the index values can be used to compare the cities in the SFI. The normalised indicator values range from 0 (for a city that has the lowest performance relative to the others) to 100 (for the city that has the best relative performance). Where relevant, normalised scores are adjusted to the population of the city.

Scores are generated simultaneously and reflect essentially the same point in time for all cities. In this report, Egyptian cities are contrasted with 37 other cities across the globe.

As a final step, the data is aggregated. Drawing from best practices in composite indicator-building[1], 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 have a negative impact, 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. [2]

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.



Country Brief



Egypt is the most populous country in the Middle East with over 100 million people and is home to 21% of the population of the Middle East and North African (MENA) region. The Afro-Asian country is located in the northeast corner of Africa and is bordered by Libya, Palestine, the Mediterranean Sea to the North and Sudan on its southern border. Given its strategic location between three continents, Egypt has traditionally been a meeting point for trade and cultural exchange. Since the 1990s, Egypt has been reforming its economy to be more market oriented. Moreover, the country has been experiencing major economic reforms since the approval of a \$12 billion loan from the IMF in 2016. Egypt's traditional industries are mainly in the textiles, tourism and chemicals. More recently, the country's economy has been expanding to include more sectors such as information and communications technology (ICT), natural

gas extractives and construction¹. Despite relative growth in GDP over the past two years, poverty still persists (particularly compounded by the cuts to subsidies for energy sources) and is posing more challenges to the country's sustainable economic growth.

The overall startup ecosystem in Egypt is still in its early stages but has great potential, especially in Cairo and Alexandria given the sheer size of their population. This report will review the startup ecosystem of Egypt by examining seven Egyptian cities including Cairo, Alexandria, Sohag, Assuit, Suez, Mansoura and El Gouna, with Cairo, in particular, being central to the entire ecosystem of the country.

1. <https://www.worldbank.org/en/country/egypt/publication/economic-monitor-april-2019>

Executive Summary

This report compares the startup ecosystem of seven Egyptian cities (Cairo, Alexandria, Sohag, Assuit, Suez, Mansoura and El Gouna) to 44 global cities in Asia, Africa, the Middle East, Latin America and Germany.

The report focuses on the Startup Friendliness Index (SFI). SFI scores are determined by examining 80 indicators for 45 global cities in six domains: Human Capital, access to Finance, the liveliness of the Startup Scene, Infrastructure quality, Macro framework (describing the political and legal system), and Market conditions (such as trade balance and economic growth). Cities with relatively even scores across domains receive a higher overall score than a city with strong performance in one area, and weak performance in another. SFI scores range from 0 to 100, with a score of 0 for the city with the weakest performance, to 100 for the strongest.

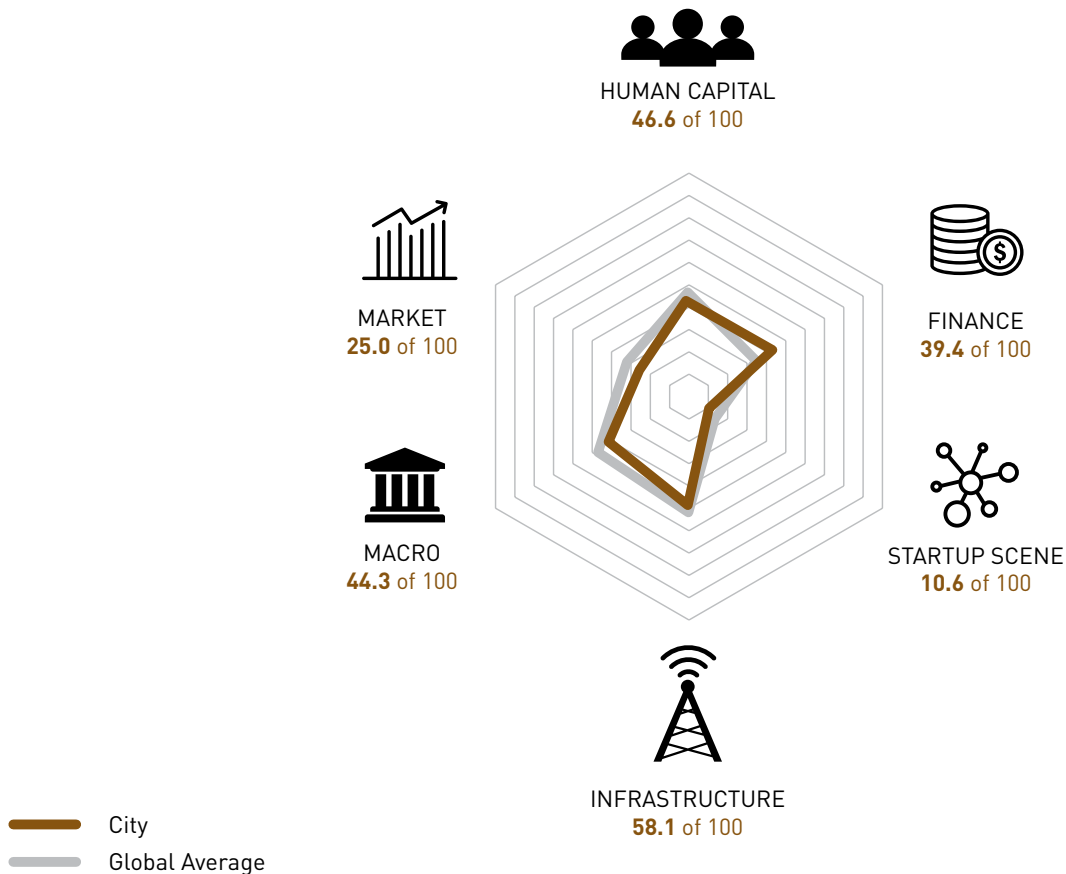
With a population of over 25 million, Cairo is found to have the most mature startup ecosystem with an overall SFI score of 37.7 out of 100. In the global SFI, Cairo ranks 24th out of the 45 researched cities and 6th in the MENA region. Cairo's strengths are namely the Human Capital, Finance and Startup Scene domains, where city specific data is collected. Given the concentration of resources in the city, Cairo has an advantage over other Egyptian cities in access to resources. Conversely, domains that account for the country's progress significantly weigh down Cairo's SFI score. In that sense, the domains that are perceived obstacle Cairo's flourishing startup ecosystem are the Macro and the Market domains and some indicators in the infrastructure domain as well.

Cairo



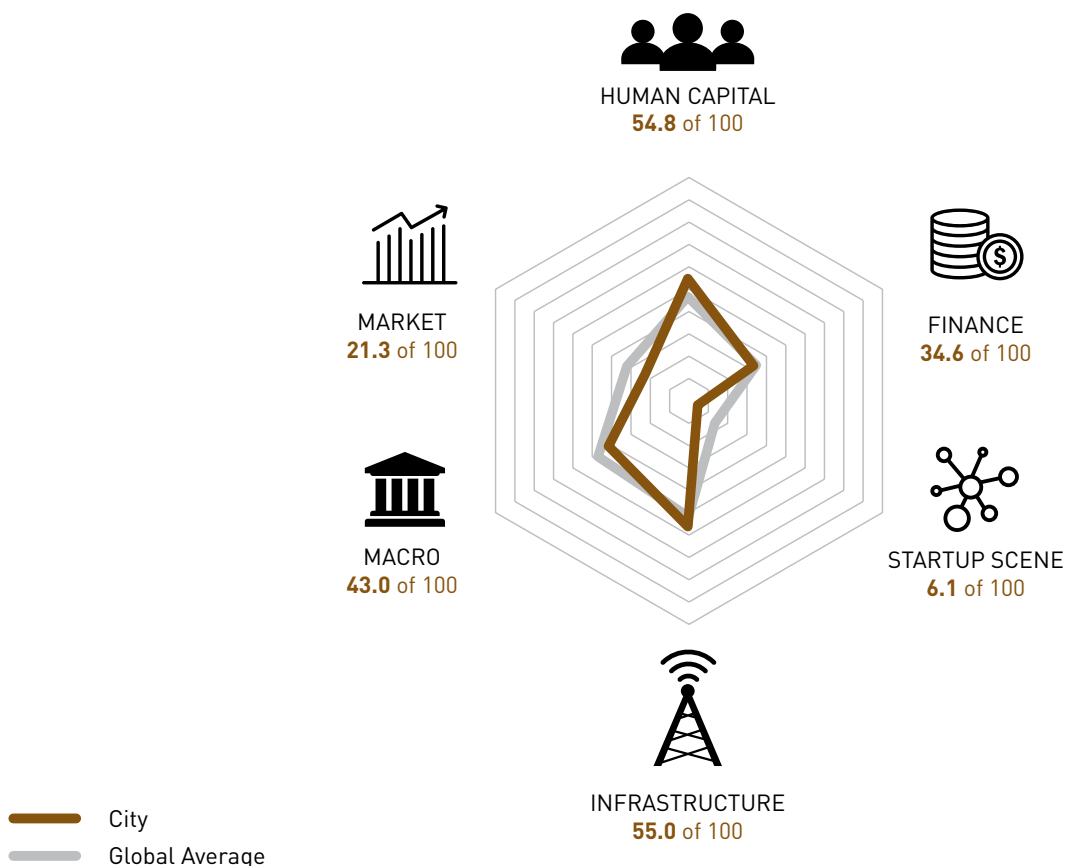
Alexandria

Alexandria is the second most mature startup ecosystem in Egypt. Alexandria's overall SFI score is 32.80 ranking 25th globally and 7th in the MENA region. Finance and Infrastructure are the most promising domains for Alexandria, followed by Human Capital and Startup Scene. Ease of mobility inside the city and the relatively high presence of qualified labour gives the city significant potential. Additionally, Alexandria's startup ecosystem has the potential to be as competitive as Cairo given its relatively large population. Accelerators and incubators exist in Alexandria as well but are not adequate for the needs of the city. Alexandria also has a remarkable score in the Finance domain, owed to the ease of access to loans. Similar to Cairo, the Macro and the Market domains are the main obstacles to the city's startup ecosystem development.



Mansoura

Mansoura is the third best performing city after Cairo and Alexandria with a score of 28.9 out of 100 score ranking 33rd in the global SFI and 11th in the region. It is the strongest performing city in Egypt for Human Capital. Given its strategic location, the city is considered a hub for other neighbouring villages and cities, giving it a competitive advantage. Infrastructure also holds potential for Mansoura. Finance is a challenge, but given the high score for loan accessibility, there is great potential for it. In terms of liveliness of the startup scene, co working spaces in Mansoura provide a space for creating more hubs for startup founders and would-be entrepreneurs, however, the city could still use more. The city also lacks incubators and accelerators that function beyond Mansoura's public university. Like Cairo and Alexandria, the weakest domains for Mansoura are the Macro and the Market domains.

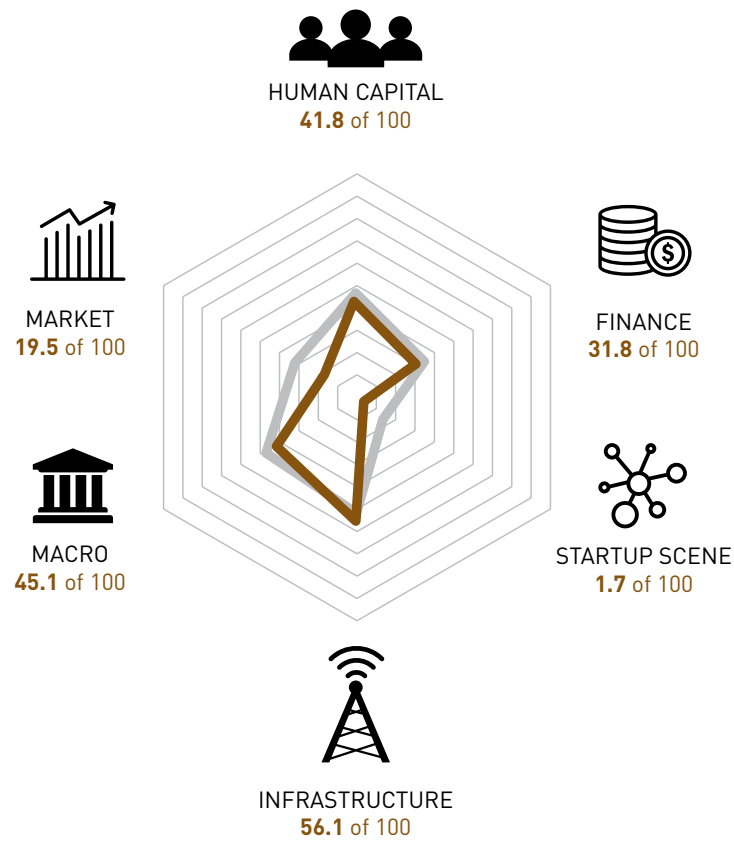


Sohag and Assuit

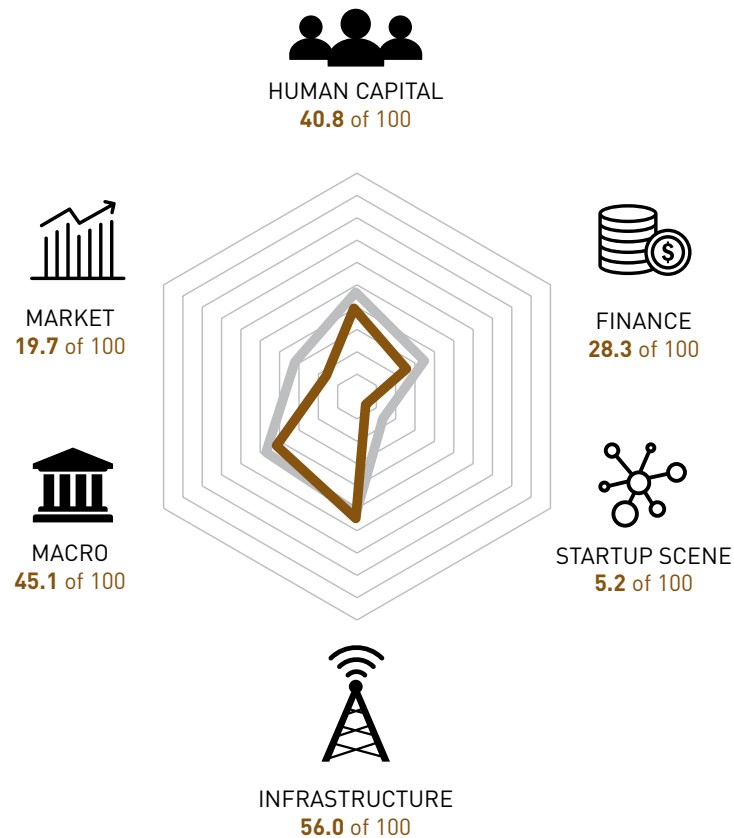
For Upper Egypt, Sohag and Assuit perform similarly for each domain with some minor differences. Both cities struggle in many of the domains by ranking towards the bottom of the SFI, 38th and 36th respectively. The Infrastructure domain is the main strength for both cities, while Sohag performs well in Finance. Even though it scored slightly below the global average, there's a definitive chance for improvement with proper communication between investors and startups. On the other hand, Assuit fares better — though below global averages — in the Startup scene domain. Overall, the cities score well in all the indicators assessing collateral costs given the extremely low salaries there. This in turn, minimizes real estate, utilities, and internet costs which are much higher in the capital city. Interview data also suggests that both cities have witnessed large improvements when it comes to introducing the startup culture for youth and would-be entrepreneurs. Nonetheless, Human Capital is still one of the main challenges for the cities' startup ecosystem.



SOHAG



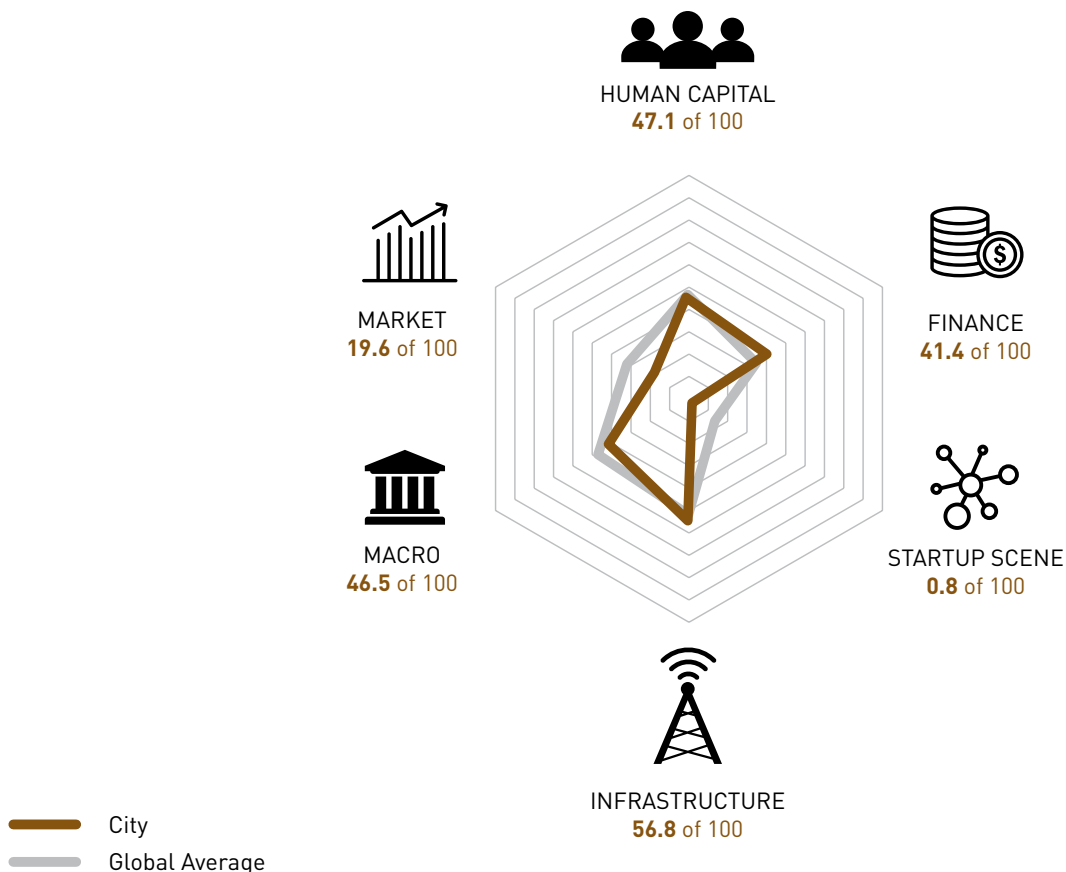
ASSUIT



— City
— Global Average

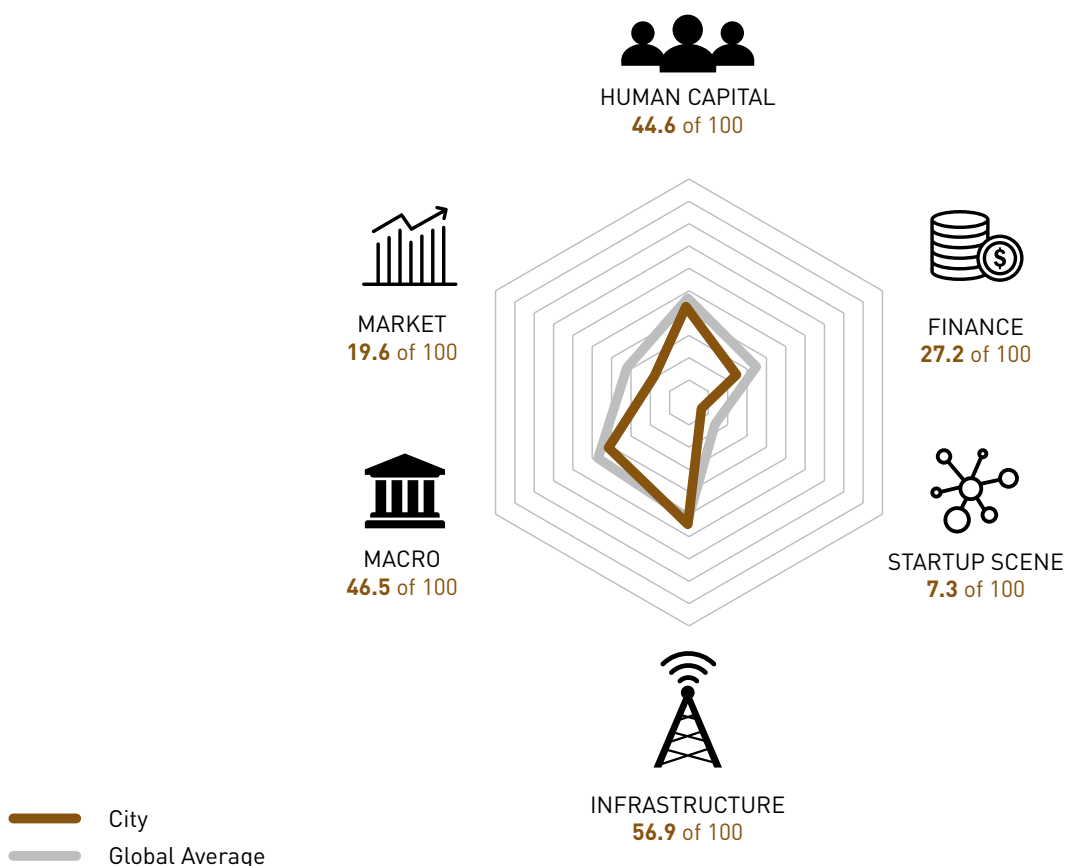
Suez

The city of Suez scores 21.1 and ranks 39th in the global SFI. On a national level, Suez scored the lowest in the global SFI score. Though the city has average (or slightly below global average) scores in most domains, the liveliness of the startup scene is the weakest aspect in the ecosystem of Suez. Expert interviews explain this by a number of challenging factors such as the lack of startup culture among youth, the lack of entrepreneurship education and the absence of active hubs to create a startup momentum. Finance and Infrastructure are the most promising domains for the city given its low cost of living. On the other hand, Suez falls short in utilising its full capacity. The presence of the Suez Canal and the relative accessibility to sources of finance indicate a promising future for businesses, especially those that serve other businesses (B2B).



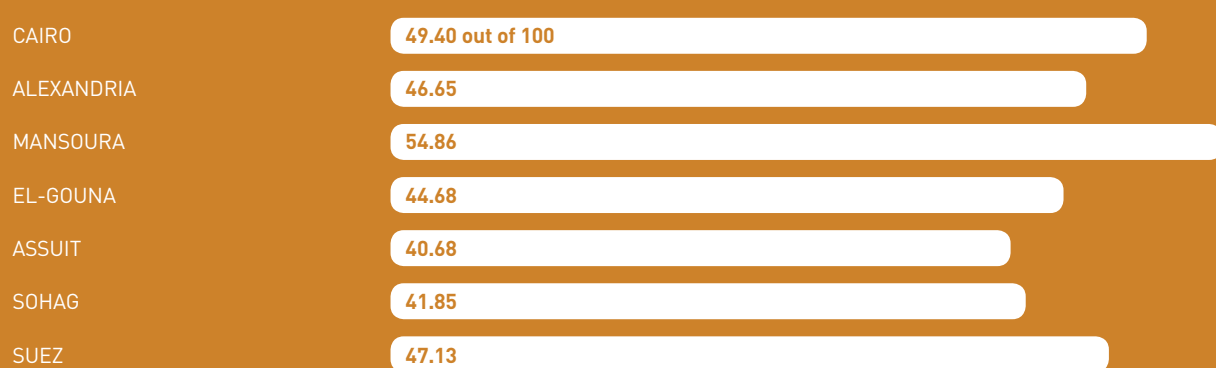
El-Gouna

El Gouna is a peculiar city that differs on so many levels from any other researched city in Egypt. Even though its low population could discourage many entrepreneurs from starting a business there, it is a contained community, making it ideal to serve as a hub for techies and travel and tourism entrepreneurs. Infrastructure and Macro domains are the main strengths of El Gouna, whereas Finance and Market domains are quite challenging. According to interview data, the city has the potential for being a live startup hub especially in the coming years. With more government attention, structural changes in the city's administration and its strategic location on the Red Sea, El Gouna could be attractive for both investors and entrepreneurs. At the moment, El Gouna struggles the most with access to finance alongside with a relatively high cost of living as a touristic city. To make the startup scene livelier in El Gouna, more entrepreneurship and tech events need to take place there in order to bring attention to the potential of the city.



Domains and Indicators

1. Human Capital



The Human Capital domain attempts to assess the availability of qualified labour and the ability for the Egyptian startup ecosystem to access it. Given the centralized nature of cities in Egypt, this indicator is relatively strong for cities such as Cairo and Alexandria and Mansoura, but more challenging for cities in upper Egypt, namely Sohag and Assuit.

Human Capital consists of two subdomains: Talent Pool and Labour Market, both featuring national and city level indicators. The Talentpool subdomain presents an opportunity for the researched Egyptian cities, with each of them scoring well above the global average and performing within the regional average. However, there are significant differences between Egyptian cities. The Labour Market subdomain, in contrast, shows potential for growth but with room for improvement: all cities fared slightly below the global average and little above regional average. Sohag and Assuit ranked the lowest in both subdomains, indicating a real challenge in the overall domain.



Startup

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Special Announcements

- Internet Networks :

- ① Co-working area
 - ↳ Coworking 1: 987654321
 - ↳ SHC 2 - impact 123456

② Terrace

↳ Terrace

Ongoing Program

- Startup Cup (Group)
- Entrepreneurship S
- winDOws
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National Overview

Human Capital Domain

The Egyptian economy has been witnessing steady GDP growth since the 2011 revolution which, according to the IMF, has more than doubled despite political instability and the various economic shocks that followed². Nonetheless, the Egyptian private sector struggles still with creating enough jobs that match the skills and magnitude of the growing supply of highly educated youth entering the labour force. This 'skills mismatch' results in higher unemployment among young graduates, especially women. As such, addressing youth unemployment and skill-mismatches has directed considerable attention toward fostering entrepreneurship, especially among young graduates.

With Egypt's young and educated population, the Human Capital domain has the potential to be one of the main drivers to shift the Egyptian startup ecosystem to a more advanced stage from where it currently stands. However, the same general national trend of stagnant job creation is reflected in startup ecosystems across researched cities where there is a significant gap between the available talent and the required skills. As such, these cities score much higher in the Talentpool domain than in labour Market and, much like most cities with developing start-

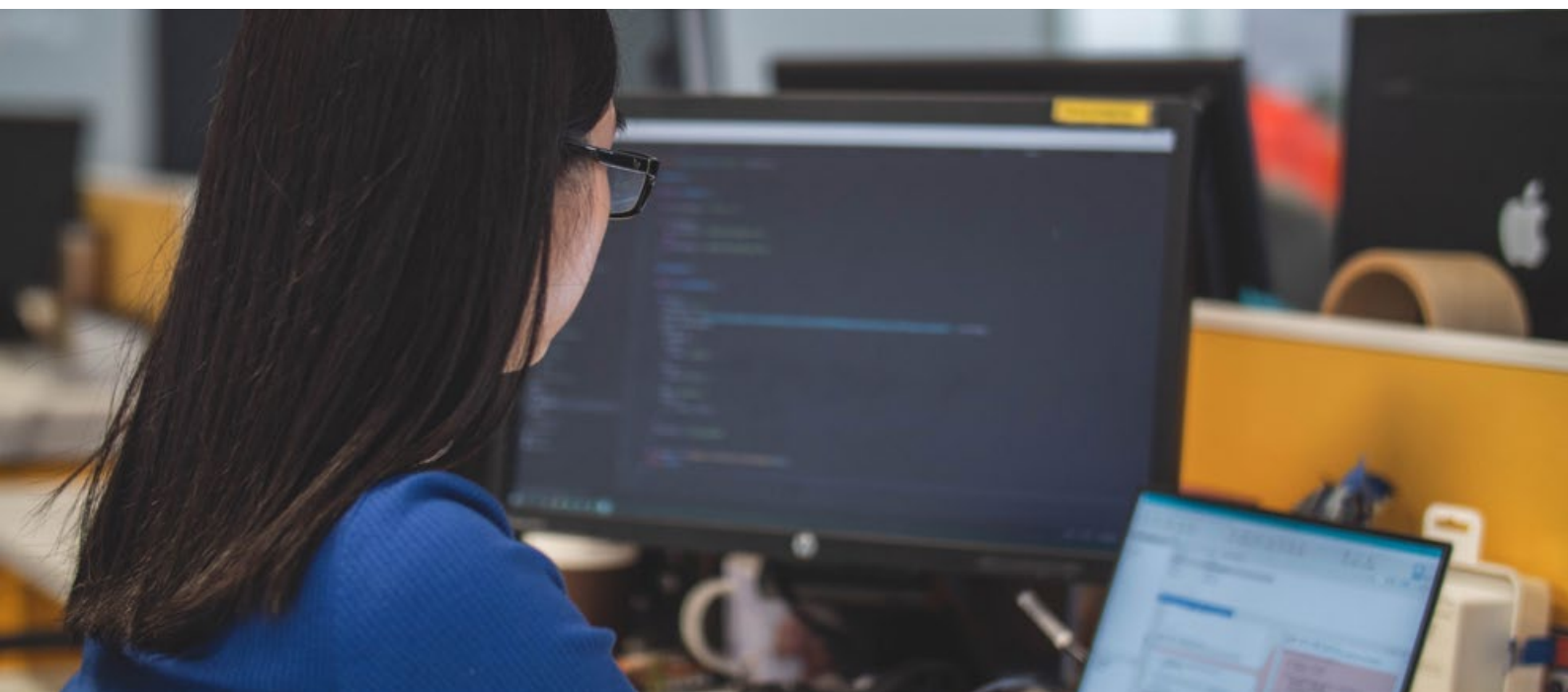
up ecosystems, Egyptian cities face a considerable challenge when it comes to the availability and quality of entrepreneurial education.

But a promising aspect of Egyptian Human Capital is the availability of a fairly strong technical education, mainly in large cities like Cairo, Alexandria and Mansoura. The challenge instead lies in the fact that most talented technical workers either migrate internally (from small cities like Suez to the capital for instance) or leave the country looking for better opportunities and a higher standard of living abroad. This "brain-drain" effect stifles startups' ability to attract and retain talented workers.

Lastly, female participation in the ecosystem shows potential for improvement, especially considering the increasing share of educated women. According to World Bank data, female graduates exceed male graduates by 1%³. Despite this, Egypt struggles to better integrate women in the labour market, where female participation in all Egyptian cities scored well below the global average.

2. Source: IMF (2019) 'Arab Republic of Egypt', Retrieved 9 Oct 2019.

3. The World Bank. "Women Economic Empowerment Study". May 2018.

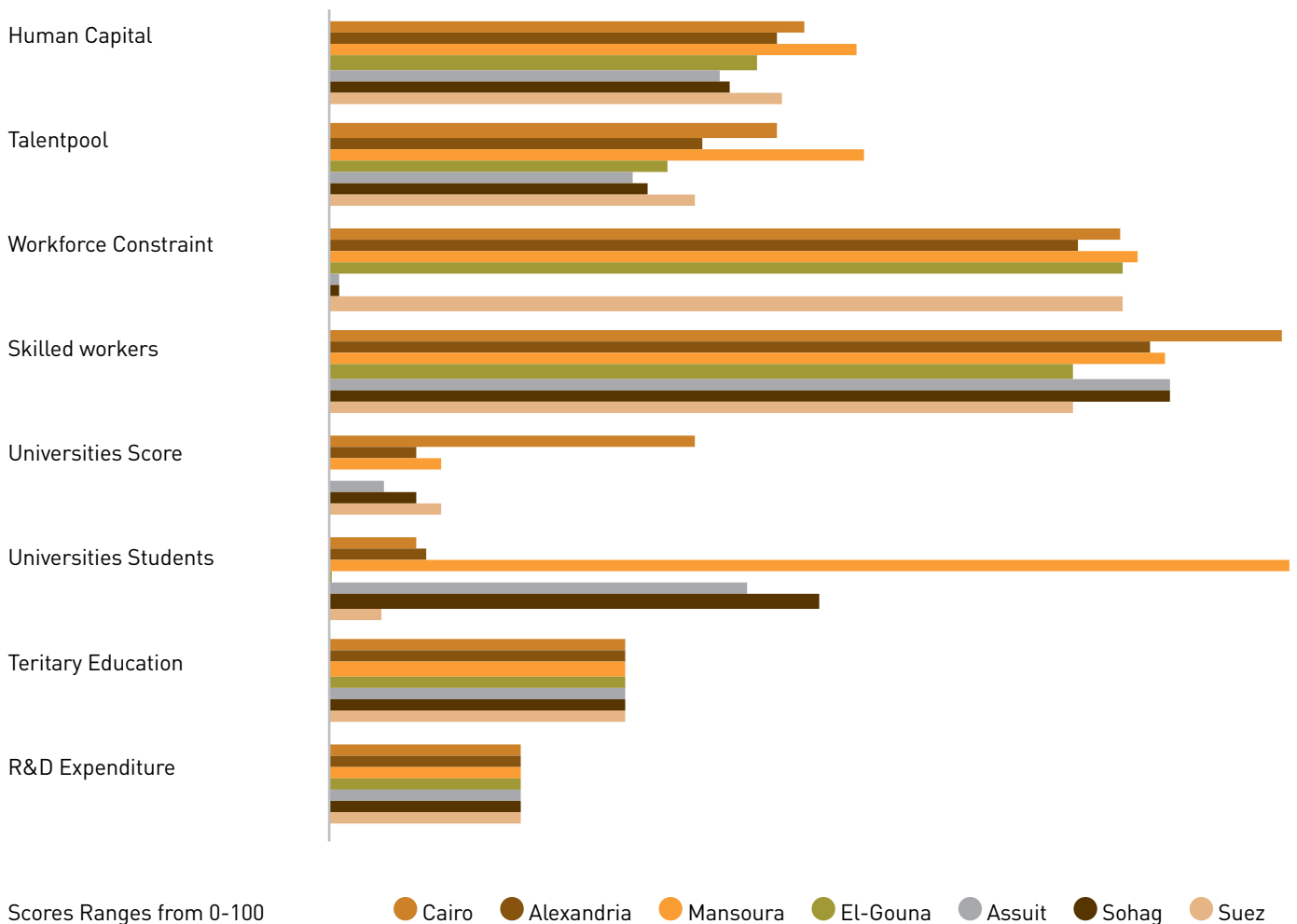


Talent Pool

Human Capital Subdomain

The Talent Pool subdomain addresses the availability of educational resources and whether those in the workforce have the necessary skills to meaningfully contribute to modern start-up ventures. Cairo, Egypt's capital city and home to the majority of the country's startups, ranked 6th globally and 2nd regionally. Surprisingly, however, Mansoura scored even higher in this subdomain, ranking 4th globally and 1st in the MENA region. Meanwhile, Assuit and Sohag ranked lowest in the country, and 32nd and 26th globally, respectively.

Two indicators in the Talentpool subdomain, Tertiary Education and Research and Development (R&D) Expenditure are measured on a national level. The remaining indicators are all discussed on a city-by-city basis.



According to the World Bank, 34.4% of recent Egyptian high school graduates receive tertiary education, putting the country slightly ahead of the global and regional averages. Though this could be translated into the availability of a higher number of skilled workforce, tertiary education in Egypt still lacks much of the necessary skills and disciplines needed in the startup ecosystem, including entrepreneurial and technological education.

As for the R&D expenditure, Egypt's spending on this indicator is just above global SFI average and slightly higher than the regional average. When compared with recent years, World Bank data shows that the country's spending on R&D has dropped from 0.7% in 2017 to 0.6%. With less than 1% of the country's total GDP, Egypt ranks 19th in the global SFI and 7th regionally.

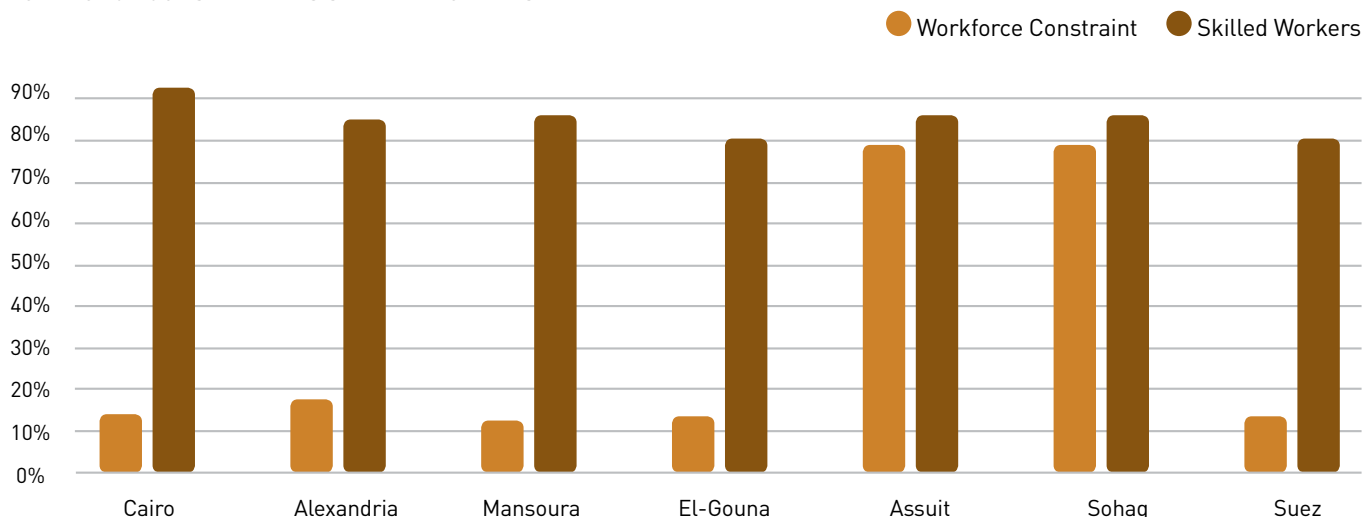
On a city level, four indicators are assessed: Workforce constraint (the percentage of firms that identify an inadequately educated workforce as a major constraint to doing business), the proportion of skilled workforce in the economy, and two indicators on the quality of universities and enrolment.

The Workforce Constraint indicator is partially affected by the quality of education at local and private universities. With that said, Mansoura, Suez, Gouna and Cairo scored the highest based on the national level, with 12.6% of total firms in Mansoura identifying the lack of skilled workforce as a hiring challenge, 13.8% of firms in both Suez and Gouna, and 14% in Cairo. Finally, 17.6% of firms in Alexandria expressed the limited access to skilled workforce. This may be due to internal migration pattern referenced earlier, where talented labour migrate to bigger markets.

Following the same trend, Sohag and Assuit seem to be struggling in this specific indicator with over 78% of firms lacking the needed skills to perform their businesses. Accordingly, both cities ranked towards the bottom of both the Global and the regional SFI. On this issue, Amira Taher, researcher at the General Authority for Investment and Free Zones (GAFI) expresses that "our youth have a serious problem in receiving entrepreneurial education and training in related fields like marketing, branding and exports management".

4. <https://knoema.com/atlas/Egypt/RandD-expenditure>

WORKFORCE CONSTRAINT VS SKILLED WORKERS



“Our youth have a serious problem in receiving entrepreneurial education and training in related fields like marketing, branding, and exports management.”

Amira Taher

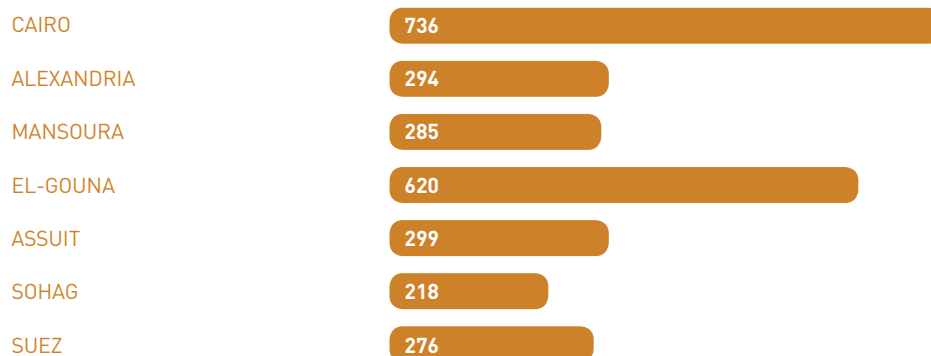
Comparing the workforce constraint and the skilled workers indicators, we find all of the cities score much higher in terms of the availability of educated workers but most cities firms generally find it much harder to find the right skills for the available jobs. Interestingly, we find a discrepancy in this pattern in Assiut and Sohag, two of the lower scoring cities on the SFI, where the skilled workers indicator scores almost as high as the workforce constraint, which alludes to a substantial skill-mismatch between the supply and demand of jobs.

University quality is based on ratings from world university ranking. On this indicator, there is significant variance between

cities, where Cairo was ranked 1st regionally and 6th globally compared to a city such as Gouna which pulled a rank of 15th regionally and 32nd in the global SFI. Though these ranks might seem counterintuitive when compared with the workforce constraint indicator discussed above, this might be a result of internal migration patterns from Cairo and other neighboring cities to Gouna. The remaining cities are mostly ranked at or slightly below average in the global SFI with Alexandria and Sohag ranking 20th, Assuit ranking the 28th and Suez and Mansoura ranking the 17th. With this indicator, it is worth noting that universities are rated on the overall average quality of all disciplines, which are often strong for traditional technical faculties like engineering and medicine and still developing in tech and entrepreneurial disciplines.

The final indicator is the total number of university students as a proportion of the population. Surprisingly, Sohag, Assuit and Mansoura hold the highest global ranks of 2nd, 4th and 1st respectively where as Cairo and Alexandria are placed in the middle and Suez and Gouna are at the bottom of the global SFI. This could be explained by the fact that the overall population of cities like Cairo and Alexandria are much larger with numerous inhabitants moving from other cities to the capital, deflating the final numbers.

SOFTWARE DEVELOPER SALARY

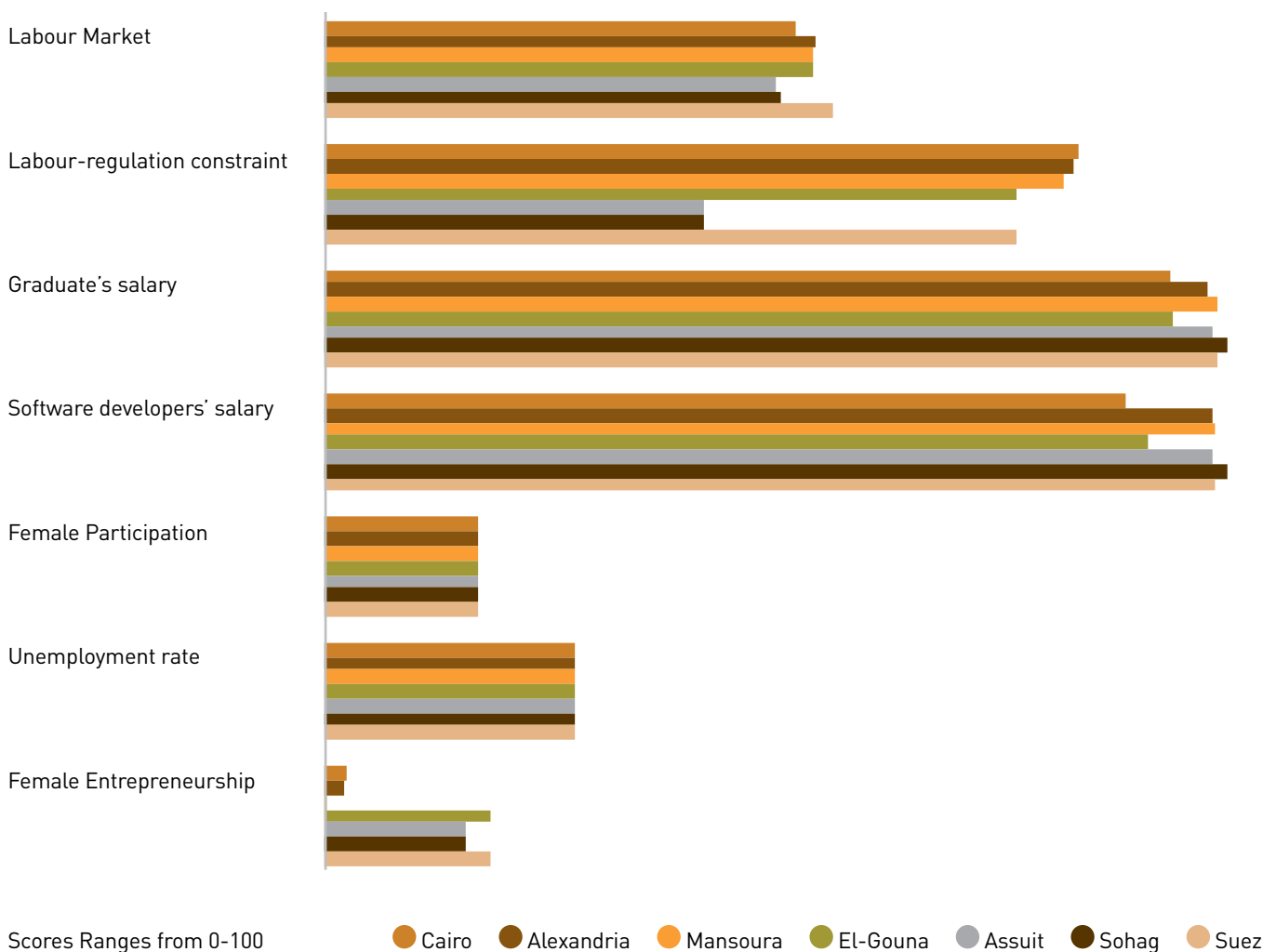


Labour Market

Human Capital Subdomain

The Labour Market Subdomain measures systematic factors that impact entrepreneurs and their ability to find and retain the best employees. This subdomain covers salary information, unemployment rate, the extent to which regulations are a hindrance for a business and female participation in the economy. For Egyptian researched cities, this subdomain has much room for improvement. All Egyptian cities fared poorly in at least three out of six indicators in this subdomain with Cairo holding the highest rank nationally of 26th in the global SFI and Assuit ranking the 30th marking the lowest in the country.

The Labour Market subdomain consists of two national level indicators: unemployment rate and female participation. The remaining indicators regarding labour regulations, salary information and rates of female entrepreneurship are city based.



One of the main causes for Egypt's poor performance in this subdomain is the low scores for the national indicators: unemployment rate and female participation. Egypt is nearly 25 points behind the global average when it comes to unemployment of available workforce seeking jobs. Though unemployment is a common issue among the entire MENA region, Egypt still is not faring at the regional average. State agencies, however, expect current unemployment rates to decline by nearly 5% by 2024.⁵

Low Female participation in the economy is also a hindrance for Egypt's overall performance in this subdomain. Low scores on this indicator may reflect the relatively large informal economic activities still taking place on a national level, where women are more likely to be employed. On this indicator, Egypt's female participation in the labour market is only 22.8%.

On the city-based indicators, small variances among the scores of the researched cities in the labour regulations constraint indicator were found with the exception of Sohag and Assuit. Cairo, Suez, Alexandria, Mansoura and Gouna's scores ranged slightly around the global SFI and the regional averages. Sohag and Assuit on the other hand had extremely low scores on this indicator both globally and regionally, with over 52% of firms identifying labor regulations as a hindrance to their businesses.

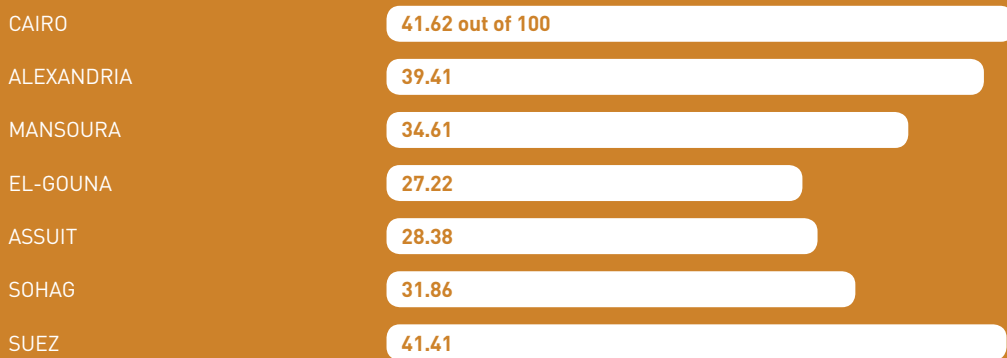
The indicators pertaining to salary information aim to estimate the average salaries of recent graduates and software developers. These indicators are weighed from the perspective

of an employer who may be seeking to start a new venture and struggling to afford high wages and therefore favour low values. In this context, a low average salary is beneficial to startups, who often rely on lower wages as part of their cost structure. As expected, Cairo, Alexandria and Gouna were much less affordable on a national level with Cairo recording the highest average salaries for recent graduates (\$276 USD/month) and software developers (\$736 USD/month). For Sohag, Assuit and Suez, salaries for recent graduates started from as low as \$93 USD/month to (\$138 USD/month being the highest) and \$218 USD/month (\$299 USD/month being the highest) for Software developers. This is likely a result of the difference in the cost of living among the cities, as well as the level of skills and education available there.

The final city based indicator is the percentage of female business ownership. There are considerable differences among the scores of this specific indicator. Cairo, Alexandria and Mansoura have the lowest ranks nationally where the percentages of female entrepreneurship are as low as 0.10% in Mansoura and 1% in Cairo and Alexandria. Conversely, Gouna had the highest ranks with 8.4% of its firms owned by women followed by Sohag, Assuit and Suez whose percentage fluctuated between 7.2% and 8%.

5. CEIC. "Egypt Forecast: Unemployment Rate". Accessed 26 Nov 2019.

2. Finance



Accessing adequate financial resources is a critical challenge to overcome for entrepreneurs around the world, in all stages of operation. The Finance domain measures the availability of different funding sources and the systematic factors such as loan requirements that impact the wider funding environment in two subdomains: Sources and System.

Despite the discrepancies found among Egyptian cities in this domain, overall ranks of cities fluctuate between slightly above to way below the global average. Out of 45 cities, Cairo was ranked 13th, only 6 points above the global average, whereas Assuit and El Gouna held the lowest ranks of 33rd and 35th respectively. Even though the sources subdomain looks more optimistic for most cities, especially in Cairo, Alexandria, and Assuit, the majority of Egyptian cities are struggling in the system subdomain, bringing down the overall ranks for the Finance domain.



Startup Haus
Cairo Values

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STARTUP
GUIDE
CAIRO

National Overview

Finance Domain

Despite the relatively low ranks in the System Subdomain, startup funding is drawing the attention of both the government and investment community who have adapted their investment philosophy and efforts. The Ministry of Investment has founded *Egypt Ventures*, a state-sponsored venture capital firm and an instrument of direct provision of venture capital, out of the understanding that the traditional debt financing approach is no longer suitable for innovative high growth companies.

When it comes to fundraising, now is one of the best times in Egypt's history to start a technology company. The past two years have witnessed a surge in startup financing, with Startup Accelerators and Venture Capital Firms having invested a total of \$84 Million in 2018 and \$69 Million in 2019 to date.

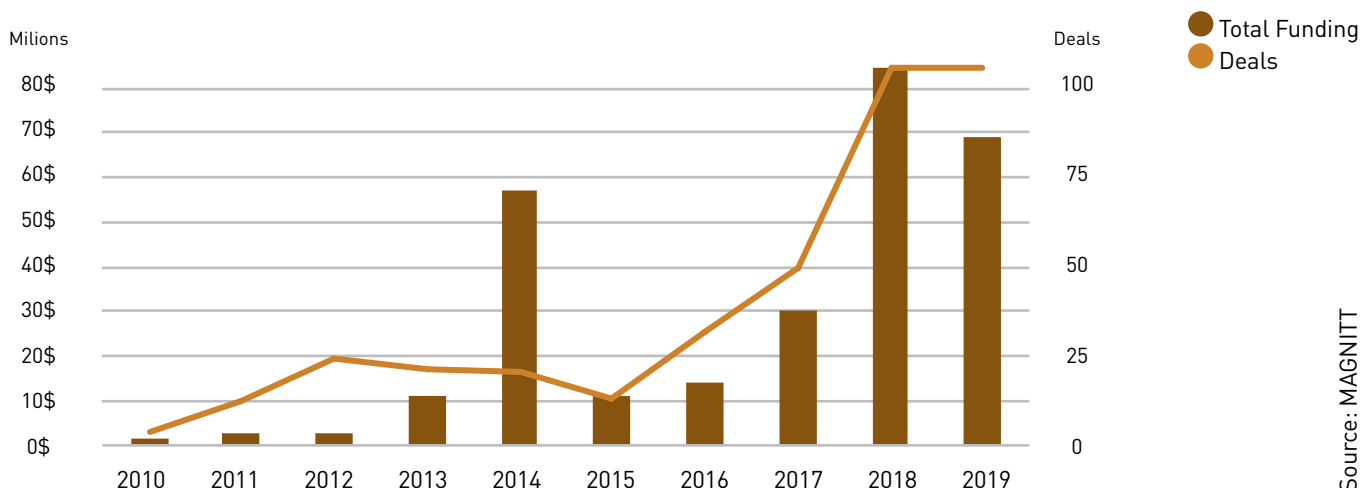
More cash than ever before is available for young tech companies, following years of accelerators and venture capital firms coming to market. Flat6Labs, a private accelerator, has funded 90 startups since 2010, which exceeds other investors by a wide margin, capturing a little over a third of all startup investments to date.

The top 20 tech startups in terms of money raised are all based out of Cairo, which falls in line with the centralization of Egypt in its capital.

INVESTMENT INSTITUTION	INVESTOR TYPE	INVESTMENTS
Flat6Labs Cairo	Accelerator	90
Innoventures	VC	29
Cairo Angels	Angel Group	17
Algebra Ventures	VC	16
Pride Capital	VC	11

STARTUP NAME	INDUSTRY	BUSINESS TYPE	TOTAL FUNDING
Swvl	Delivery & Transport	B2C	\$ 80,500,000
Cequens	IT Solutions	B2B	\$ 54,000,000
Vezeeta	Healthcare	B2C	\$ 24,100,000
Si-Ware Systems	Technology	B2B	\$ 10,000,000
BasharSoft	HR & Recruitment	Platform	\$ 7,700,000

INVESTMENT AMOUNT AND NUMBERS OF DEALS

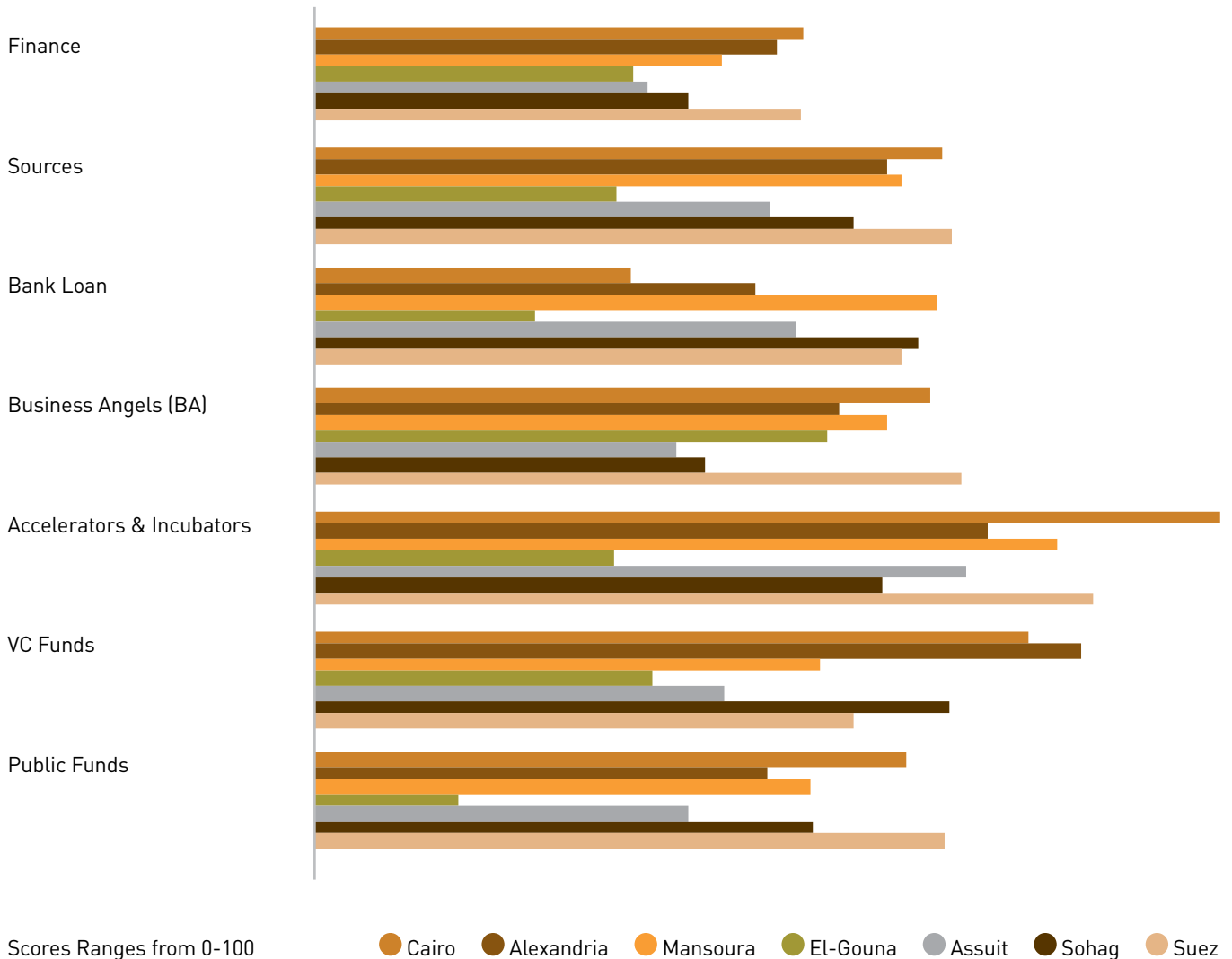


Source: MAGNITT

Sources

Finance Subdomain

The sources subdomain captures how entrepreneurs finance their ventures. This subdomain is informed by survey data, where startup founders are asked to reflect on the relative availability of different funding sources in their city's start-up ecosystem on a scale from 1 (for very challenging) to 5 (for easily accessible). The findings of this subdomain are all on city-by-city basis. With the exception of El Gouna, the remaining Egyptian cities scored above both regional and global averages in this subdomain with Cairo ranking 5th globally and 3rd in MENA.



Entrepreneurs in the Egyptian cities were asked about the availability of five potential funding sources: Bank Loans, Public Financing, Business Angles, VCs, and Accelerators and Incubators. These survey questions aimed to estimate how accessible these funding sources are for entrepreneurs in a particular city, though the resources do not necessarily need to be located there.

Variance among the five sources of finance for each city are relatively small with the exception of Cairo's and El Gouna's scores. For entrepreneurs in Mansoura and Sohag, Bank Loans seem to be the most accessible among the five sources with scores of 3.12 and 3.06 out of 5. In Cairo, Alexandria, Suez and Assuit, Bank loans are still an option but not the most favorable. On this indicator, Suez ranks 8th globally, followed by Assuit, Alexandria and Cairo ranking 10th, 15th and 22nd respectively. Conversely, Gouna scored the lowest on this indicator with a score of 1.75 out of 5 ranking 32nd in the global SFI. It is worth mentioning that for most cities bank loans are preferred due to the lack of other funding sources. This has been confirmed by our interviewees', who state that even though high interest rates are deterring their business growth, sometimes it's their only available source of funding.

“Our interviewees indicate that, though high interest rates on bank loans are a deterrent to their business' growth, they are sometimes their only available source of funding.

Though angel investment is still not as accessible as traditional funding sources like loans and public financing, business angels investment over the past 7 years has boomed for Egypt. According to the African Business Angel Network (ABAN), *Cairo Angels* is the second most active Angel group in Africa ⁶. For Egyptian cities, Suez and Cairo had the highest scores nationally thereby ranking 6th and 7th in the MENA region and 11th and 12th globally. The scores of the remaining cities of Mansoura, Gouna and Alexandria seem to be slightly higher than the global averages and accordingly placed in the middle of both the global and regional SFI.

Despite the founding of “Nile Angels” in Upper Egypt, Sohag and Assuit still hold the lowest scores on this indicator ranking the 24th and 26th globally and 14th and 16th in the region. According to Amira Taher, this is largely due to two main issues. First is the lack of proper communication between the investors and the entrepreneurs in Upper Egypt. And second, is the lack of branding and marketing skills among the entrepreneurs. Consequently, entrepreneurs in Sohag and Assuit are unable to attract investors in spite of their high performing startups.

Funding through accelerators and incubators in general constitutes a huge potential for Egyptian researched cities with the exception of El Gouna. Not surprisingly, Cairo has the highest rank on this indicator ranking 2nd globally and regionally. Suez, Mansoura and Alexandria also scored well on this indicator with a range of 20 to 30 points higher than the global average ranking 6th, 5th and 9th on the global SFI. Upper Egypt has also witnessed a rise in this indicator with over 10 points higher than the global and regional averages. On the other hand, El Gouna seems to be struggling in this indicator ranking 33rd globally. This discrepancy could be justified by the fact that the startup model of doing businesses in El Gouna is still in an embryonic phase. On this, Ahmed Zidan, manager of the first and sole coworking space in El Gouna explained, “The majority of our clients here are still established business owners not entrepreneurs who want to expand their businesses.”

6. Wadhwa, Priya. “Egyptian startups increasingly backed by angel” investors. 31 July 2019. SME10x

“The majority of our clients here are still established business owners, not entrepreneurs who want to expand their businesses.”

Ahmed Zidan

In line with the accelerators and incubators indicator, Egyptian cities fair well in the funding through Venture Capital Funds. In Alexandria, this indicator has huge potential since it ranks 1st in the MENA region and 8th globally, followed by Cairo ranking 2nd and 10th. On a regional level, all Egyptian cities were ranked between the 1st and the 7th with the exception of El Gouna, ranking 11th regionally and 25th in the global SFI.

Public Funding indicator scores suggest that it is the least favorable for the majority of Egyptian cities. In this indicator, Suez has the highest national score of 2.46 out of 5, followed by Cairo, Sohag, Alexandria, and Mansoura all scoring between 2.37 and 2.15. Assuit and Gouna had the lowest scores, nationally, regionally and globally ranking 25th and 31st in the global SFI and 14th and 15th in the MENA region.

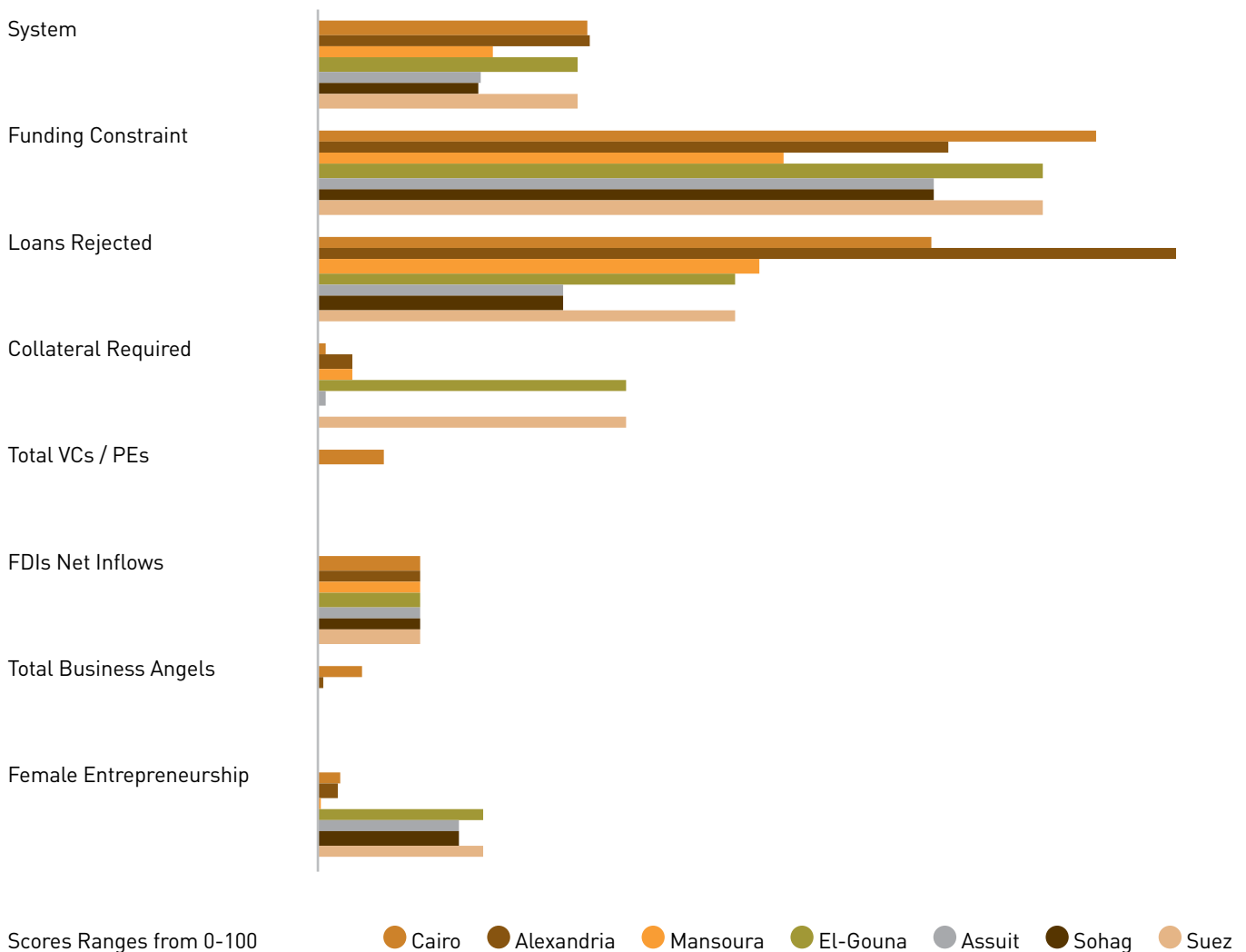


System

Finance Subdomain

The System Subdomain discusses the fundamental factors and institutions that create the funding environment. This includes indicators on loan availability, resources such as the total number of VCs and Business Angels, and FDI. This indicator is a challenge for all Egyptian cities with some considerable differences among the cities. Alexandria scores the highest on a national level followed by Cairo both ranking 27th and 29th in the global SFI. Conversely, Sohag struggles the most with a score of 17.8 out of 100.

In this subdomain, FDI net flow is the only national indicator, the rest are all city levels.



Despite the fact that Egypt's score in the FDI net inflow indicator is still below the global average, Egypt was ranked the best in the MENA region while ranking the 18th in the global SFI. Given the relative political stability in 2016, FDI net inflow has increased by more than 1%⁷.

On a city level, the funding constraint indicator provides a summary of the funding environment. This indicator measures the proportion of firms that identify access to funding as a major constraint for their businesses.

Given the dynamic start-up ecosystem of Cairo as opposed to other researched cities in the country and region, Cairo had the lowest number of firms identifying funding as a hurdle with only 12.6% of total firms referred to this as an issue. Regionally, Cairo is the second best in this indicator after Sfax, Tunis, even though it ranks 11th in the global SFI. Both Suez and El Gouna scored equally in this indicator with 18.1% of total firms being constrained because of funding. It should be taken into account, however, that the nature of businesses in these cities is quite different from the startup model in question. For Upper Egypt, Sohag and Assiut are lagging behind in this indicator with over 29% struggling to find access to funds. Mansoura, on the other hand, had the poorest performance with over 44% of firms struggling with funding and ranking towards the bottom of the global SFI.

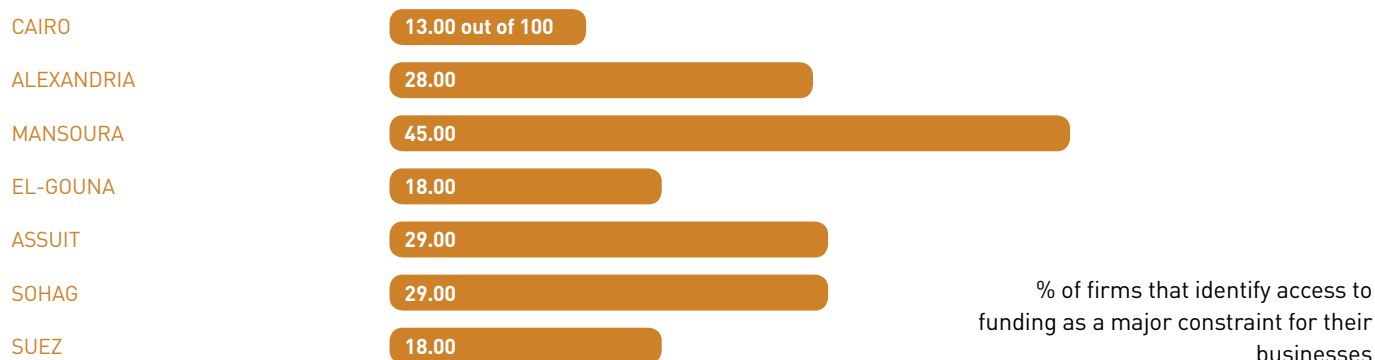
For loans, there are two indicators measuring the total number of applications rejected and the collateral requirements when applying. Though Cairo and Alexandria had the lowest numbers

of rejected loan applications on a country level most firms cited difficulties in meeting the collateral requirements for a loan application. Alexandria had an outstanding score on this indicator with only 3.7% of loans rejected, followed by Cairo with 25% of loans rejected. Following the overall pattern among cities' performance, Sohag and Assiut are struggling the most when it comes to these two indicators with over 57% of loans rejected and nearly 100% of firms identifying with high collateral requirements. As for Suez, Gouna and Mansoura the three cities had minor variances among the loan rejection indicator with over 40% of firms confirming a rejection in their loan application while approximately 73% of firms in Gouna and Suez cited high collateral requirements.

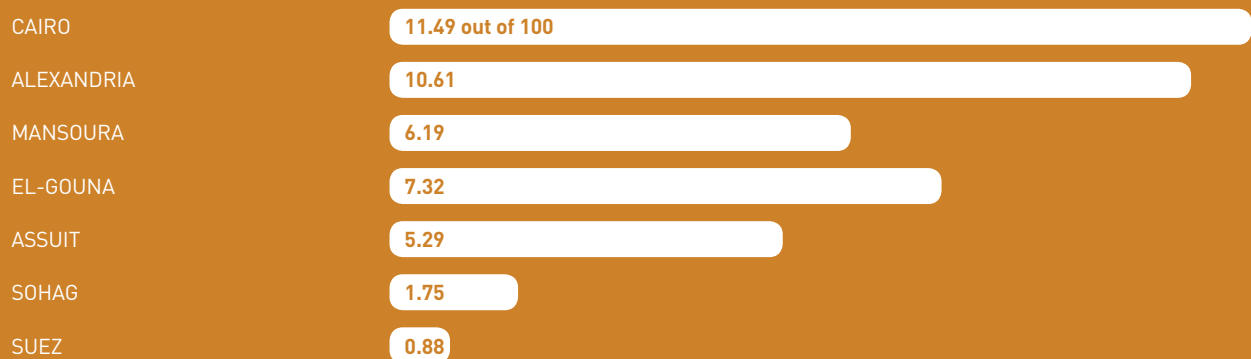
The final two indicators in this subdomain measure the number of VCs and Business Angels located physically in each city. At first sight, it could be surprising to conclude that there are 11 business angels in Cairo, one in Alexandria and zero in the remaining cities. Additionally, there are 17 venture capitalist firms in Cairo and none in the remaining cities. Once again, this is owing to the centralized nature of Cairo as the capital city—on an administrative and financial level—with an extremely high population. Nonetheless, the Egyptian business angels and venture capitalists do not limit their activities to Cairo and Alexandria only. On global and regional levels, Cairo has an average performance in these two indicators ranking 28th and 8th for the Business Angels indicator, and 29th and 8th in the VCs indicator.

7. Egypt Net FDI inflows, 1960-2018. (n.d.). Retrieved from <https://knoema.com/atlas/Egypt/topics/Economy/Balance-of-Payments-Capital-and-financial-account/Net-FDI-inflows>. 1

FUNDING CONSTRAINTS



3. Startup Scene



The startup scene measures the maturity and liveliness of a city' startup ecosystem and overall entrepreneurial culture. Cities with a more vibrant startup scene not only support existing start-ups through networking and learning, but also provide resources for potential new founders and bring people into the community by encouraging entrepreneurship.

Egypt's performance on this domain is certainly still developing. In spite of the large differences between the researched cities in this domain, all of them scored below global average whereas only Cairo and Alexandria scored slightly higher than the regional average ranking 9th and 11th regionally and 24th and 28th in the global SFI.

There are two subdomains in the startup scene domain: Hubs and Activeness. The latter subdomain is a challenge for all cities except Cairo which fares more optimistically in the Hubs subdomain.



Startup
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Cairo
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National Overview

Startup Scene Domain

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Egypt is one of the largest startup hubs in the Arab World. Since 2010, 278 startups have been founded and funded.

Many of these companies are tied to a social mission to better Egypt and the Middle East, especially after the 2011 uprisings. Among them are startups that have emerged as specialized recycling companies such as Recyclobekia, and apps addressing Cairo traffic like Bey2ollak, Halan, Swvl, and Raye7, a carpooling startup.

Egypt is also home to emerging solar power companies due to entrepreneurs taking advantage of its large deserts. Solarize has B2B and B2C solar turnkey solution offerings, while KarmSolar is leveraging solar power to help access one of the largest beds of fresh water that lies underneath Africa to bring the water to farmers to make new areas of land arable.

Incubators and accelerators represent major components in startup ecosystems. Because Egypt's startup ecosystem is still at its infancy, accelerator programmes have been favoured at the expense of incubators for numerous reasons, including limited bootstrapping abilities and education in entrepreneurial subjects.

One such accelerator, Flat6Labs, was established in 2011 by a venture capitalist firm, Sawari Ventures. Moustafa Khater, the Director of Growth and Development at The Greek Campus, a regional coworking and office space headquartered in Cairo, says Flat6Labs "paved the way for other Egyptian accelerators." "Sawari Ventures started out as a conventional VC fund, and the founders identified numerous innovative companies they would have invested in, but at the time, startups were still not ready to take on large amounts of funding," he explains, "This led them starting Flat6Labs with their own capital, and Flat6Labs Cairo has gone to raise EGP 100 million from top-notch international investors, including the IFC and the Egyptian American Enterprise Fund. They have expanded their accelerator model to five other geographies and have a portfolio of more than 180 companies."

FOUNDED STARTUPS



“[Flat6Labs has] paved the way for other Egyptian accelerators.”

Moustafa Khater

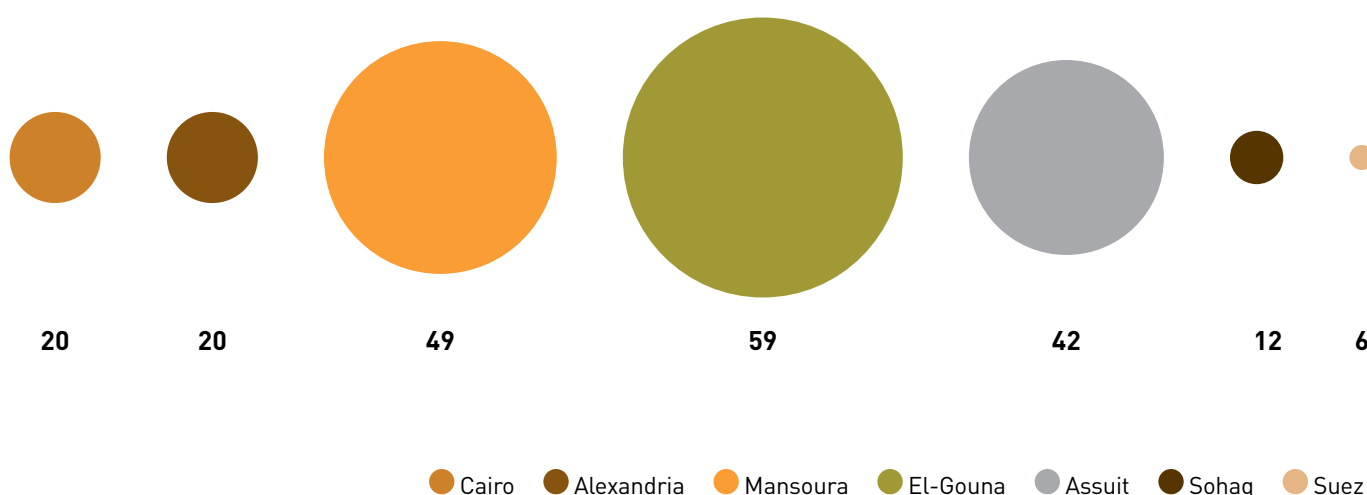
On a national level, the Egyptian government has prioritized the promotion of entrepreneurship in the past few years. This manifests itself in the creation of TIEC and Egypt Ventures, an Egyptian VC and Fund of Funds that has launched the renowned accelerator programme Falak. Currently in its third cycle, Falak has churned out 30+ companies and established a FinTech track with leading Egyptian Investment Bank EFG Hermes offering over \$100,000 for early stage companies.

To work around centralization, Egypt Ventures also established, Fekretak Sherketak which gives entrepreneurs technical and financial support in underserved parts of the country. International organizations are also starting to test the Egyptian accelerator space. In 2019, Pride Capital, a newly formed VC firm, launched Startupbootcamp's Fintech track in a partnership between Egyptian investment bank Pharos, and Kamelizer, an Egyptian angel investment group, among other backers such as AlexBank.

The lion's share of coworking/incubation spaces goes to the Greek Campus, which has recently focused on national and regional expansions. Their second largest campus is in Assiut, in which a consortium between multiple stakeholders was formed to boost entrepreneurship in Upper Egypt. That consortium includes Assiut University, Flat6Labs, Rise Up Summit, and Injaz among others. Recently, the Greek Campus has also partnered with the Central Bank of Egypt to establish a Fintech hub in an old historic building, a long-held asset of the bank.

In spite of efforts to boost entrepreneurship in different parts of the country, the big players in startup support remain centralized in Cairo.

COWORKING SPACE SEATS PER 100.000 RESIDENTS

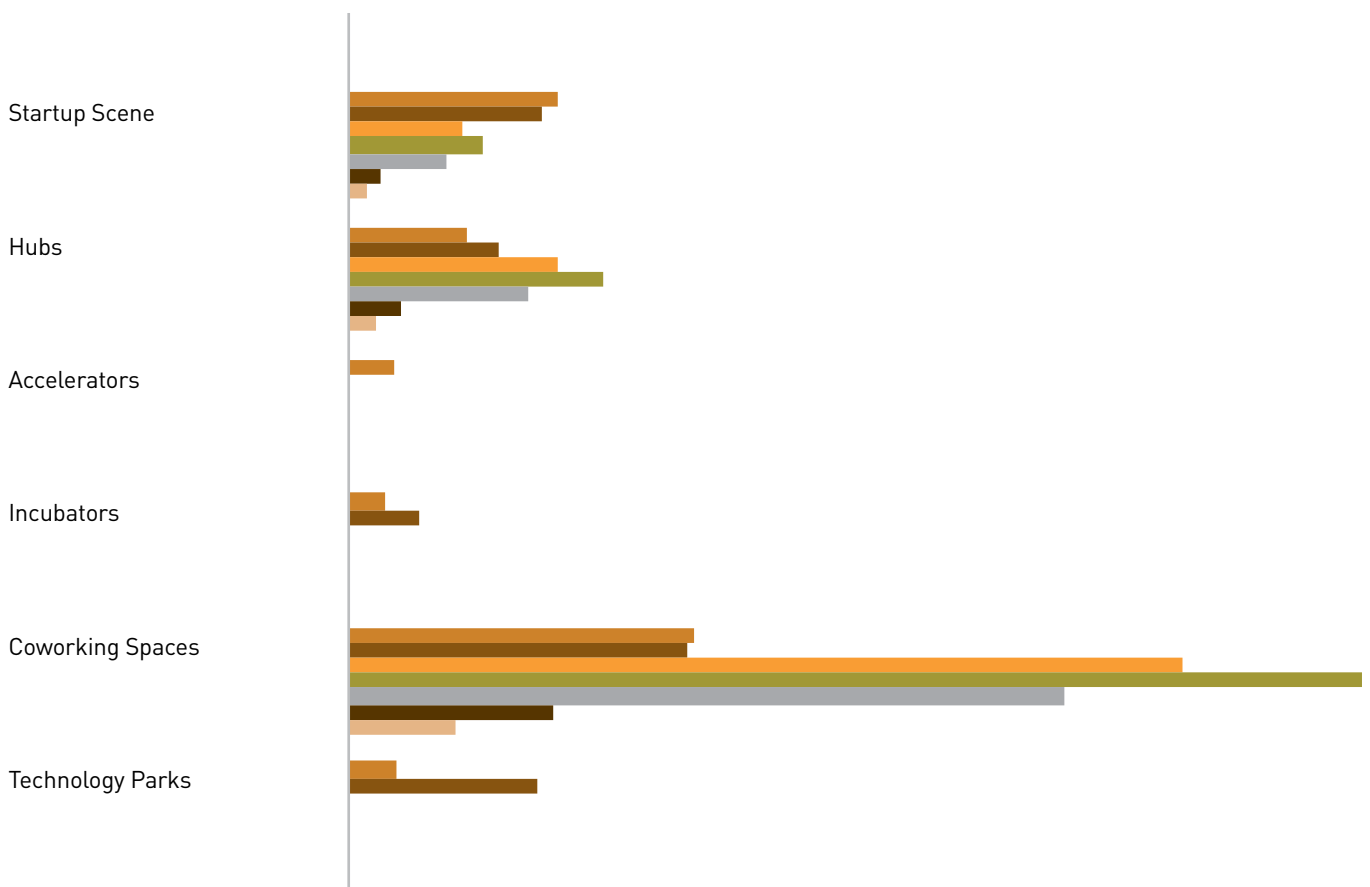


Hubs

Startup Scene Subdomain

The Hubs subdomain measures the availability of institutional resources such as incubators and co working spaces. A higher capacity of such resources supports the continued development of the startup scene by offering services for entrepreneurs, facilitating networking and creating an entrepreneurship culture . El Gouna is the best performing city in this subdomain ranking 17th in the global SFI and 6th in the MENA region. Mansoura and Assuit were the next top performers in this subdomain ranking 21st and 25th globally followed by Cairo and Alexandria ranking 37th and 33rd. Finally Sohag and Suez ranking the lowest both nationally and globally.

All indicators in this subdomain are city specific



Scores Ranges from 0-100

● Cairo
 ● Alexandria
 ● Mansoura
 ● EL-Gouna
 ● Assuit
 ● Sohag
 ● Suez

There are four indicators in the Hubs subdomain measuring the number of accelerators, incubators, co-working spaces and technology parks as a proportion of the population.

According to research, only Cairo and Alexandria have accelerators and incubators. These accelerators and incubators operate in almost all the other researched cities except El Gouna. In Suez for instance, "*Khaleha Swaissy*" is an incubation program produced by "*Nahdet El-Mahrousa*", one of the leading incubators in Cairo. In Sohag, Mansoura, and Assuit, the main incubator and accelerator often referred to was the "*Technology Innovation and Entrepreneurship Center*" TIEC, a programme supported by the Ministry of Communication and Information Technology, which has its own incubator space that accepts applications year-round and reviews them every three months. Cairo and Alexandria lie in the middle of the global SFI with Cairo ranking 22nd for the accelerator indicator and 28th for incubators where as Alexandria held the 27th and the 21st position in both indicators.

As for coworking spaces, Cairo and Alexandria have the largest number. Nonetheless, Gouna, Mansoura and Assuit scored best in this indicator proportionally. In other words, the number of coworking spaces per capita is higher than in large cities. Suez is struggling the most in this indicator scoring more than 25 points less than the global average. Proportionally speaking, Cairo, Alexandria and Sohag need more spaces given the sheer size of their population.

A bird's eye view on this subdomain would suggest that Cairo and Alexandria possess the institutions necessary to support startups. However, the gap between the available institutions and the demand from startups and would be entrepreneurs still needs to be narrower both in Cairo and the rest of the researched cities.



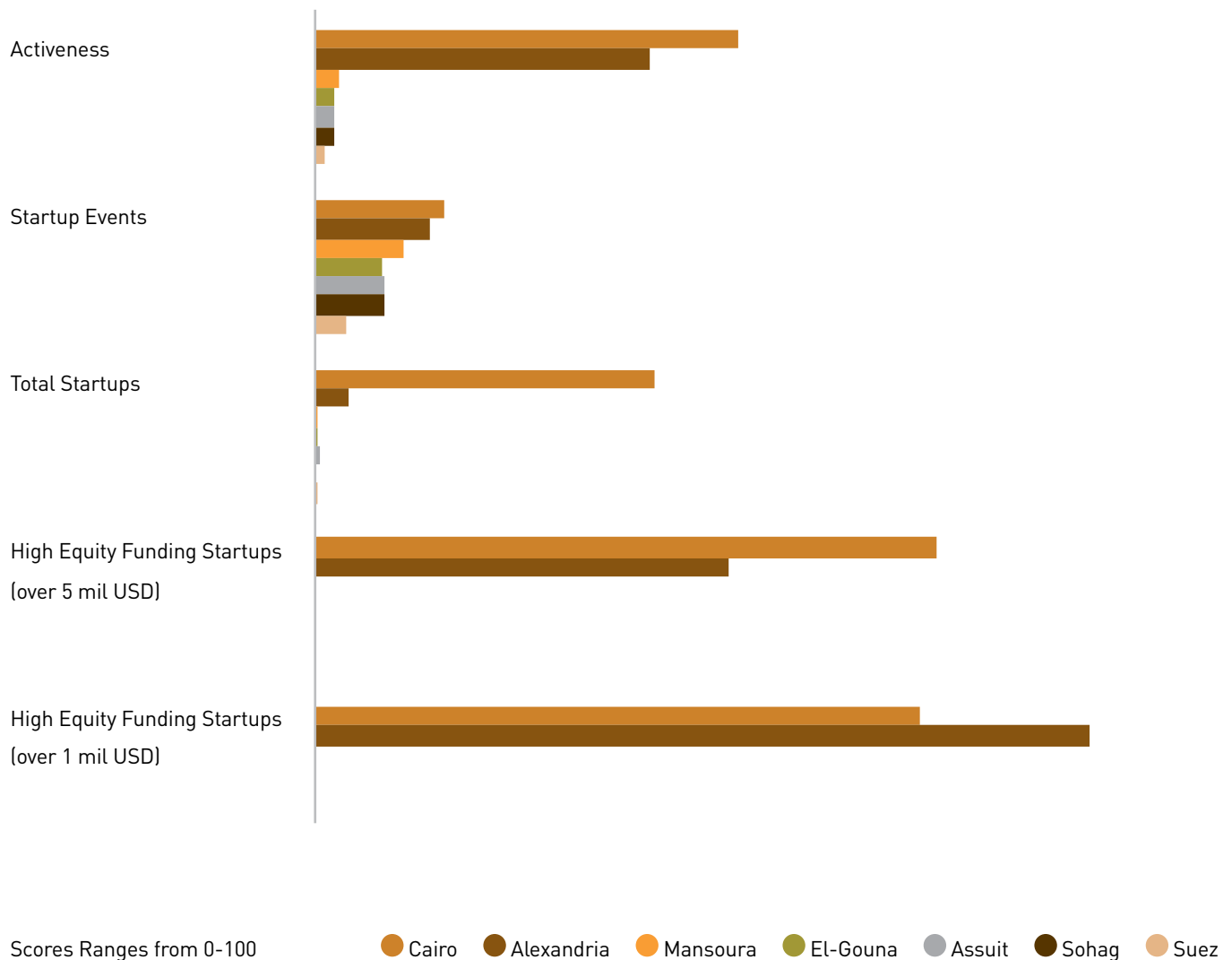
Activeness

Startup Scene Subdomain

The Activeness subdomain covers indicators related to events, number of start-ups and if there are high equity cases. The more events and start-ups there are in the ecosystem, the more visibility and cultural impact a city can have. Success cases also play a sizeable role, as they can provide a blueprint for success to others, attract investment and often their employees go on to begin ventures of their own, exponentially increasing the scaling capacity of a city.

Cairo is the only city performing above global average in the Activeness subdomain ranking 18th globally and 6th on the MENA region, followed by Alexandria ranking 24th globally and 9th regionally. The rest of the cities rank toward the bottom of the global SFI, with Suez, for example, ranking 40th out of 44 cities.

The indicators in the Activeness subdomain are all measured on a city level.



There are four indicators in the Activeness subdomain as well: The number of startups, startup events, and what proportion of the total startups are High Equity Funding Startups (Over \$1 Million USD or \$5 Million USD).

There's a big discrepancy among the scores of the researched cities in this Subdomain. In terms of the number of startups, Cairo had the highest number as expected with over 530 startups by 2018. This positions Cairo in the 15th rank in the global SFI and 2nd in the region. Alexandria had the second largest number of startups nationally, but still scored a little below the global average with only 53 startups. The rest of the cities all had less than 10 startups, thereby ranking among the lowest in both the global and the regional SFI.

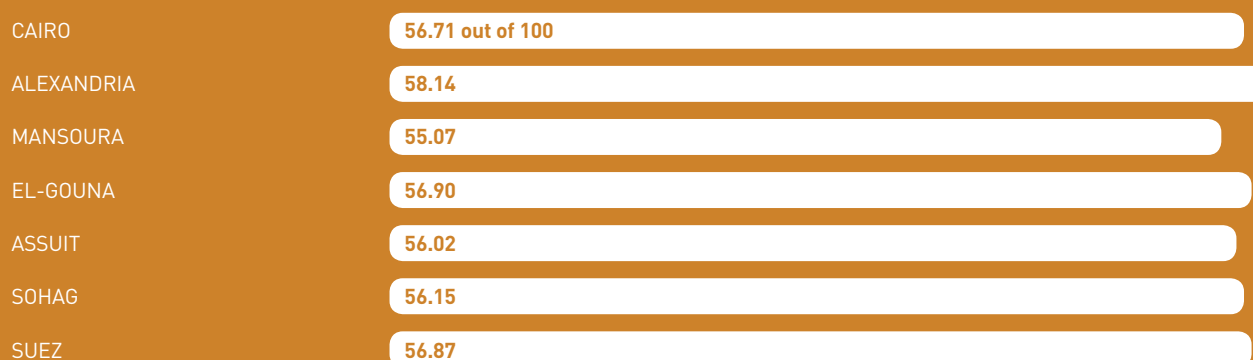
Despite the considerably large number of startups in Cairo and Alexandria, the number of startup events taking place to further strengthen the startup scene in Egypt is still below global average. In this indicator, Cairo and Alexandria rank 12th and 16th in the global SFI while holding the 3rd and the

5th place in the MENA region. On average, Cairo holds around 17 events per month, whereas Alexandria has an estimated 15 events. Nationally, Mansoura is the next top performer on this indicator with over 12 events taking place per month according to survey data. Sohag, Assuit and Gouna follow with an estimate of approximately 9 events while Suez has the lowest number of startup events in the country ranking 37th in the global SFI.

Alexandria and Cairo are the top performers when it comes to the scores of high equity startups indicator, both scoring much higher than global and regional averages. As it has been the case for some of the indicators above, the rest of the cities do not have any startups reaching the high equity indicators due to their small scale and limited reach. This shouldn't come as a surprise when startups outside large cities struggle with access to finance, lack channels to network and communicate while they still struggle with cultures that are not conducive to the development of startups and tech adoption.



4. Infrastructure



High quality infrastructure is a necessity for running successful business efficiently. The infrastructure domain is assessed by analyzing a city's quality of transportation, utilities and IT factors such as Internet availability and smartphone penetration. The indicators in the domain pay particular attention to the associated costs of accessing these services and the ease with which they can be accessed.

This domain constitutes an opportunity for all researched Egyptian cities. Alexandria scored the highest when it comes to the quality of infrastructure as opposed to its costs scoring 58.14%, 8 points higher than the global average. Gouna, Suez and Cairo also performed well; ranking among the top 5 cities in the MENA region while ranking 12th, 13th and 14th in the global SFI. In terms of subdomains, Egyptian cities score well in the transport subdomain ranking 15th globally and 2nd in the region, after Morocco. The Utilities subdomain is also a plus for the researched cities, especially Alexandria and Gouna. For the ICT subdomain, the cities do not score as high as in the other two subdomains, however, when compared with global and regional scores, Egyptian cities rank among the top 20 on the global SFI.



National Overview

Infrastructure Domain

Compared to other developing countries and countries in the region, Egypt's infrastructure has witnessed substantial improvements over the past 15 years, especially in the transportation and communications sectors⁸. Nonetheless, the current government's economic aspirations do not match the needed investments in infrastructure, especially in power generation and transportation.

Egypt's natural strategic geographic location in the heart of global trade routes is a huge advantage that allows for an expansion and diversification of trade. As such, proper investment in the transportation sector will arguably allow business to flourish, while gaining Egypt an international presence in global value and supply chains⁹. In order to balance the burden on public sources proposed by investing more in this sector, the government has allowed private investment to participate in the modernization of the sector through Build, Operate and Transfer (BOT) and Build, Own, Operate, and Transfer (BOOT) projects¹⁰.

With regards to ICT, private investments have been crucial to the communications sector in Egypt since 2005. According to an analysis made by BALTMODUS research department, it is expected that the ICT sector will represent 8.83% of the total GDP¹¹. This, in turn, presents the entire sector as a huge opportunity for start-up ecosystem in Egypt, especially tech start-ups. It is important to mention, however, that the internet speed is a major weakness in the sector for Egypt.



8. Loayza, Norman V.; Odawara, Rei. 2010. Infrastructure and economic growth in Egypt (English). Policy Research working paper; no. WPS 5177; Public expenditure review (PER). Washington, DC: World Bank. <http://documents.worldbank.org/curated/en/693911468022759281/Infrastructure-and-economic-growth-in-Egypt>

9. Ragab, A., & Fouad, H. [n.d.]. ROADS AND HIGHWAYS IN EGYPT REFORM FOR ENHANCING EFFICIENCY. Retrieved from http://www.eces.org.eg/MediaFiles/Uploaded_Files/{0658974D-F591-4913-81A2-510D315DCE41}_ECESWP152-E.pdf

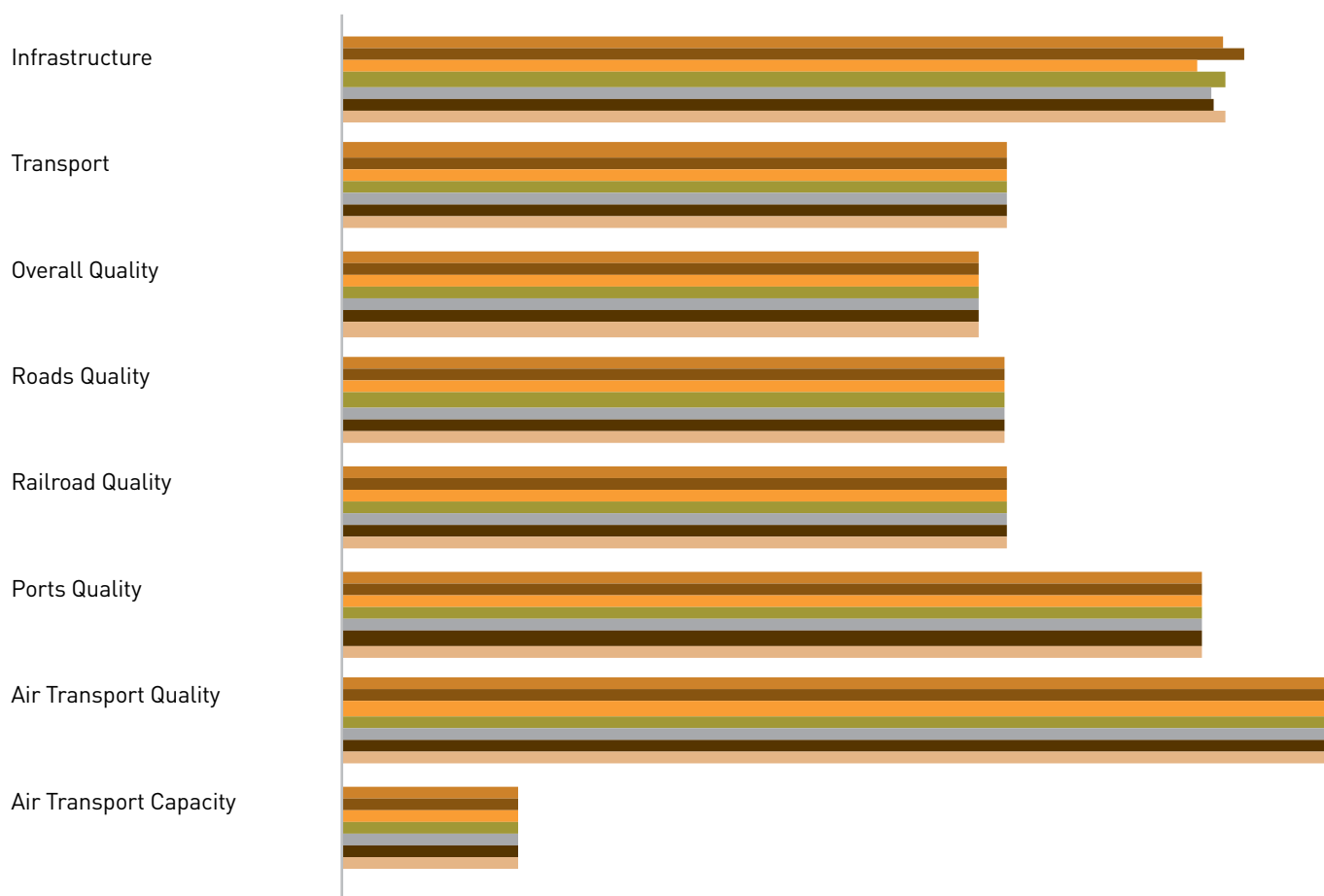
10. Ibid

11. Baltusis, T. (2017, July 4). The analysis of IT/ICT sector in Egypt. Retrieved from <http://baltmodus.com/the-analysis-of-itict-sector-in-egypt/>.

Transportation

Infrastructure Subdomain

The transport subdomain considers the quality of transportation infrastructure such as roads, railroads, ports and air travel quality and capacity. Given the national nature of much transit infrastructure and data limitations, this subdomain is composed entirely of country level indicators.



Scores Ranges from 0-100

● Cairo
 ● Alexandria
 ● Mansoura
 ● EL-Gouna
 ● Assuit
 ● Sohag
 ● Suez

On a National level, Egyptian cities score 42.8%, 4 points above the global average of 38%. Egypt scores above average in almost all of the indicators that comprise this subdomain with the exception of air transport capacity, where Egyptian cities fall more than 15 points shorter than the global average.

The transport subdomain begins with an indicator on the overall quality of transport as measured by the world economic forum's global competitiveness index. Egypt ranks 16th globally in this indicator, while it maintains the 4th position in MENA. The indicators that measure the quality of roads and railroads are almost identical, scoring slightly above global average in both indicators. Egypt's quality of roads and railroads is up to par. Cities researched in Egypt rank 18th in the roads quality indicator and 15th in the railroads quality indicator in the global

SFI. On the same note, national scores of indicators pertaining to air transport and ports quality were among the highest in the overall subdomain. Egypt held the 5th position when it with regards to the indicator measuring the quality of ports indicator in the global SFI and was ranked 2nd in the MENA region. Similarly, for the Air transport quality indicator. Egypt placed 6th globally and 2nd regionally.

Even though Egypt topped the regional ranking for the air transport capacity indicator, it scored below global average, ranking 19th in the global SFI.



Utilities

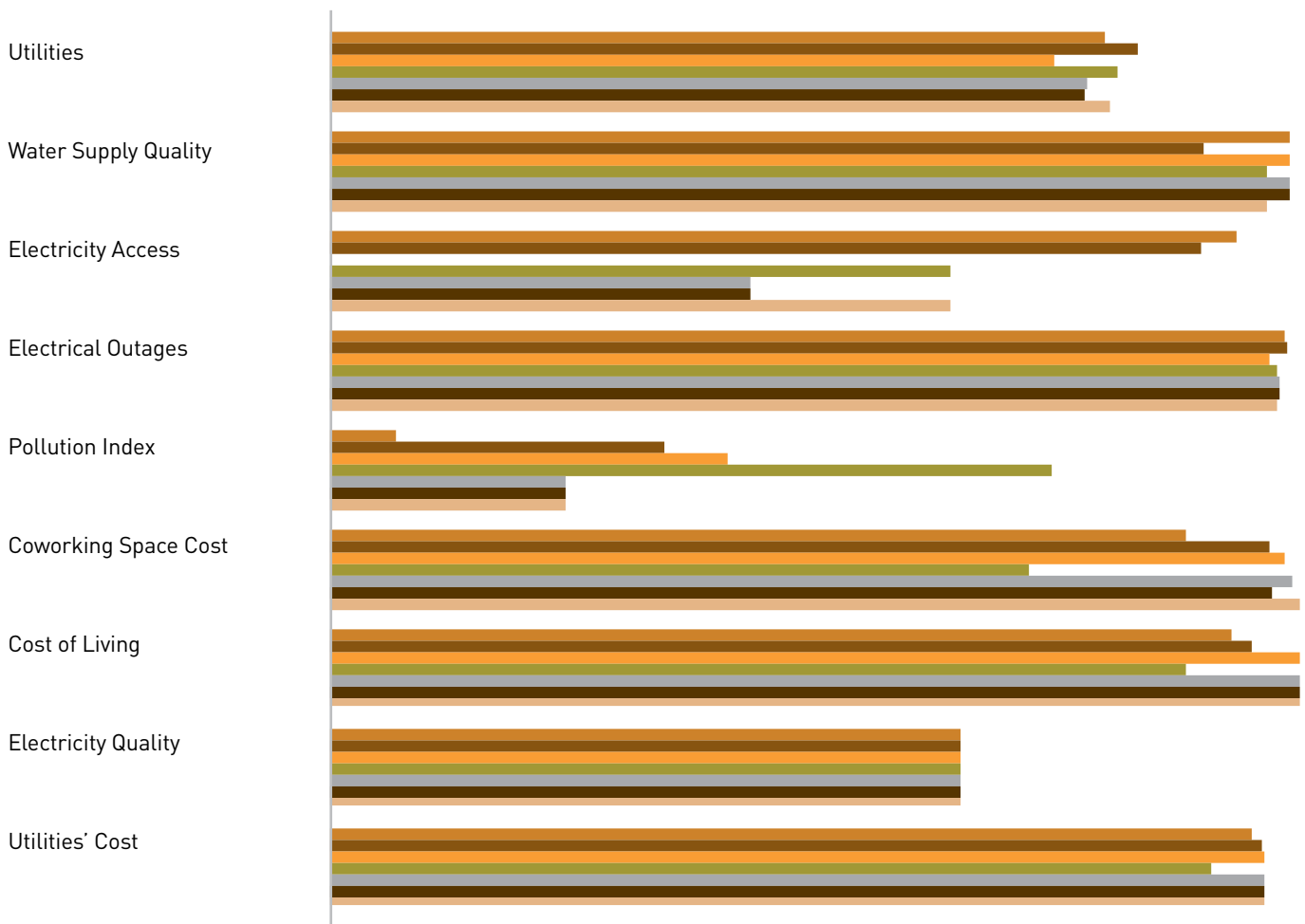
Infrastructure Subdomain

The Utilities subdomain considers quality indicators for electricity and water supply, how long it takes to access electricity and how common outages are, air pollution and costs associated with co working spaces, general living expenses and utilities.

There is great variance between the Egyptian cities in their performance of accessibility to electricity and water as well as pollution indicators, with some scoring much better than global averages and others scoring way below. Nonetheless, all Egyptian cities scored higher than global averages with

respect to the indicators assessing average utility costs and cost of living. Alexandria, Gouna and Suez were among the top performers in this subdomain ranking 2nd, 5th and 6th globally whereas Mansoura scored the lowest among the researched cities, ranking 23rd. Cairo, Assuit and Sohag scored slightly above the global average ranking 7th, 12th and 13th in the global SFI.

All indicators in this subdomain were assessed on a city level with the exception of the indicator assessing the quality of electricity.



Scores Ranges from 0-100

● Cairo ● Alexandria ● Mansoura ● EL-Gouna ● Assuit ● Sohag ● Suez

There are three indicators concerning electricity in this subdomain. First, is the overall quality of electricity on national level. Egyptian cities score well in this indicator, 13 points higher than the global average. The second and third indicators are city-level indicators measuring the number of outages per month and the average time needed to set up an electrical connection.

Egyptian cities are performing relatively well in the overall quality indicator, with Alexandria having approximately one outage per month, followed by Cairo, Sohag and Assuit reporting 1.5 to 1.9 outages. The lowest performers on a national level were Suez, El Gouna and Mansoura with an average of 2-2.8 outages per month. In terms of accessibility, Mansoura struggled the most in this indicator reporting more than 200 days on average until an electrical connection is set up. This places Mansoura at the very bottom of the global SFI, ranking 44th. Similarly, Sohag and Assuit were ranked 40th since it took more than 120 days to access electricity. Suez and Gouna also reported a long estimated average of 76 days placing them in the second half of the global SFI. On the other hand, Cairo and Alexandria held much higher ranks, 15th and 22nd globally, due to the lower number of days needed to access electricity.

The water supply quality indicator does not measure the quality of water but rather its availability. Cairo, Sohag, Assuit and Mansoura all scored equally with an average of 0.1 shortages per month, ranking 14th in the global SFI. Suez and El Gouna performed less favorably in this indicator both tying at the 25th global position. Finally, Alexandria held the lowest ranking of 32nd in the global SFI.

The pollution index indicator is a major struggle for all Egyptian cities but to varying degrees in each city. Perhaps unsurprisingly, Cairo had the lowest score — indicating the highest pollution level — among all cities ranking 43rd (out of 44) in the global SFI. El Gouna, Mansoura and Alexandria were among the best performers, nationally speaking, ranking 5th, 15th and 20th respectively. The rest of the cities still scored below global average ranking 27th in the global SFI.

The remaining indicators in this subdomain measure the costs associated with utilities, renting a co-working space and the general cost of living. Overall, these indicators are all favorable for Egyptian cities with some considerable variance among the cities themselves. El Gouna is the most expensive among researched cities, ranking 21st in the cost of living with an estimated average of \$677 per month. Cairo and Alexandria were the second most expensive with an average of \$538 and \$481 respectively. Cairo ranked 15th in the global SFI while Alexandria held the 9th place. The rest of the cities proved to be the cheapest in the global SFI ranking 1st with \$333 as an average cost of living per month.



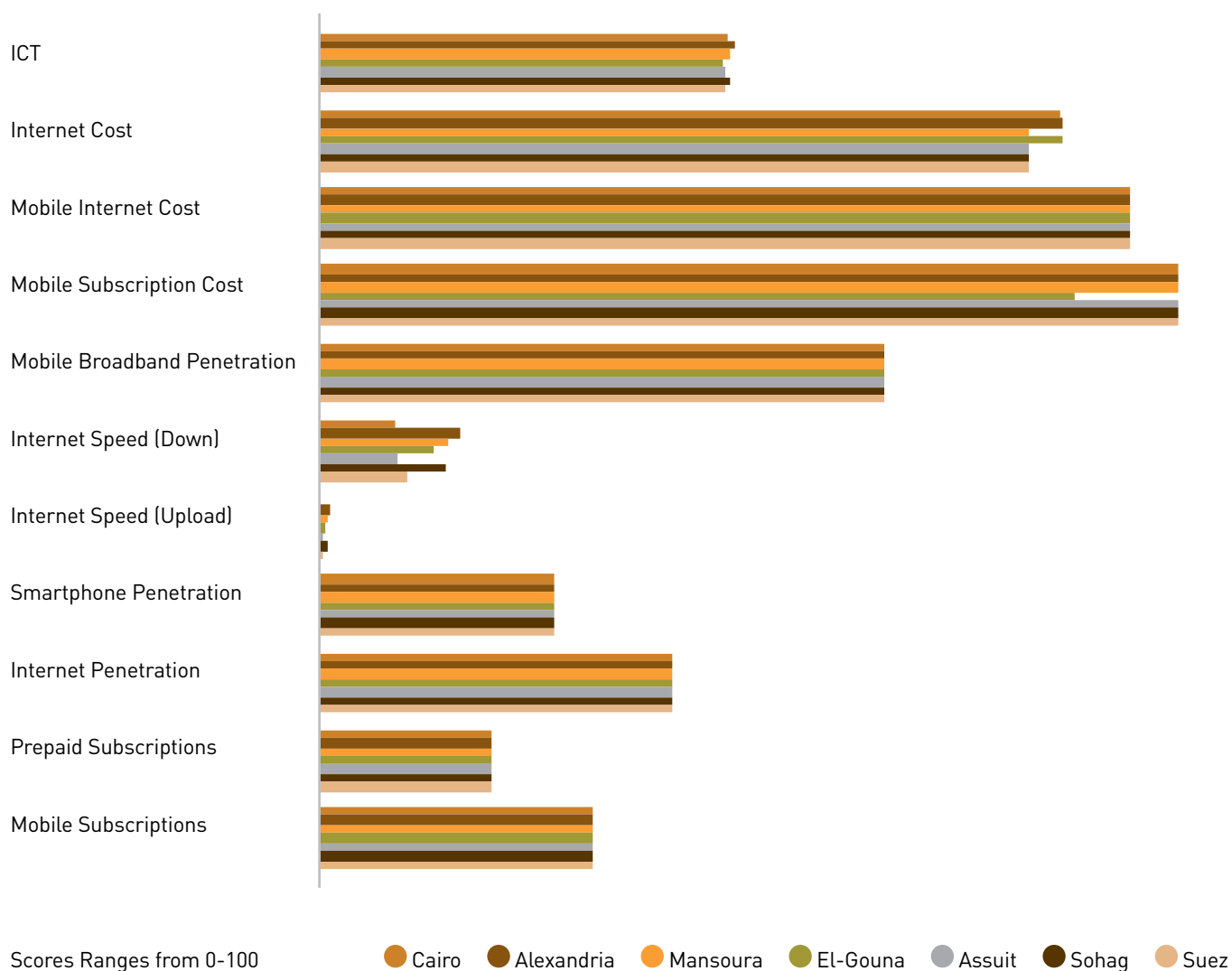
ICT

Infrastructure Subdomain

The ICT subdomain measures the availability and affordability of Internet mobile connection. For Egyptian cities, ICT is an opportunity since the majority of the cities scored slightly above global average placing them in the first half of the global SFI rankings. Alexandria is the best performing city in this subdomain with a score of 48.4 out of 100 and ranking 8th in the global SFI. Mansoura, Sohag and Cairo place 10th, 12th and 14th respectively. El Gouna scored well in this subdomain but still held the lowest rankings among all 7 cities ranking 17th globally. Despite having relatively high scores in the overall

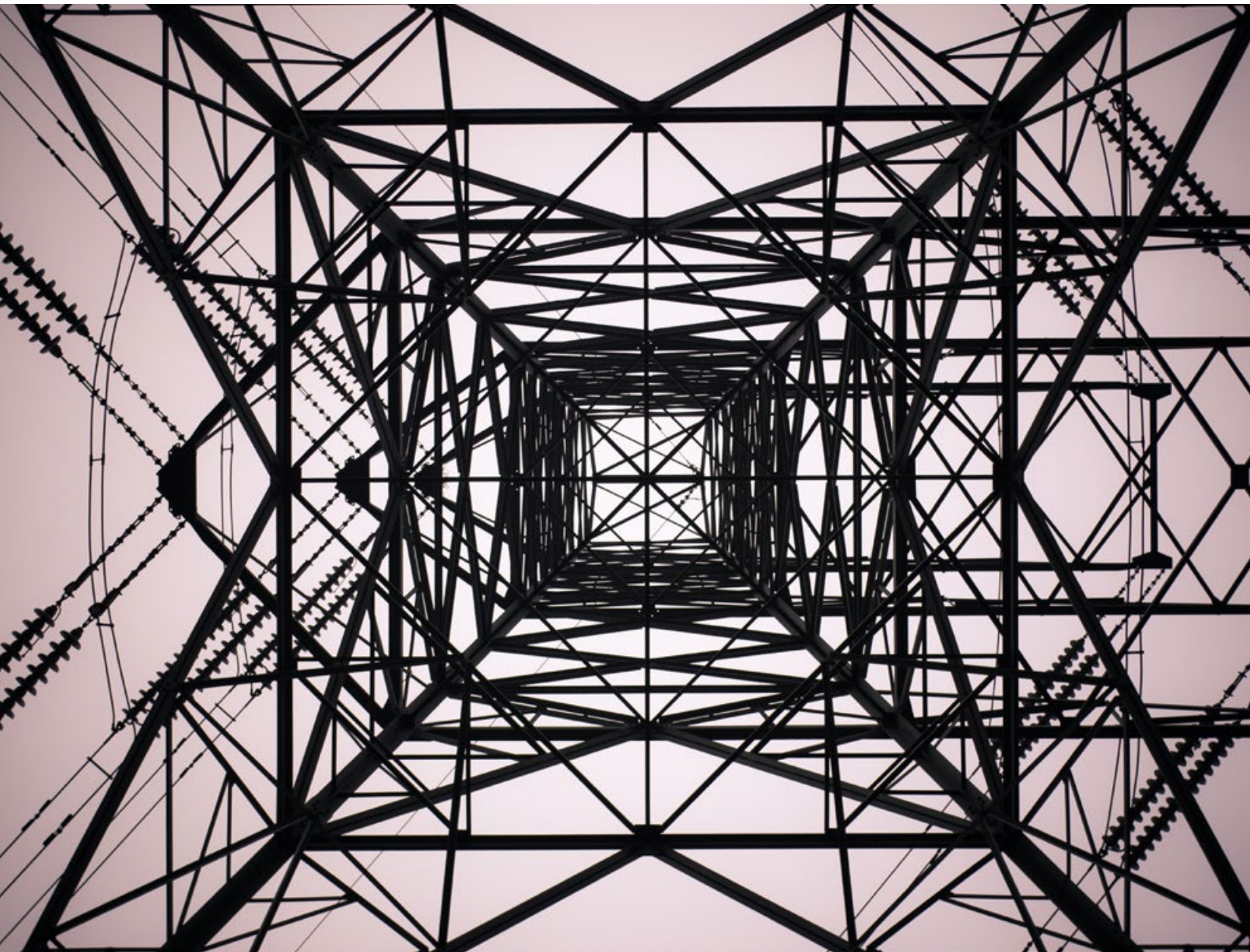
subdomain, it is worth noting that the indicators pertaining the cost of Internet and mobile subscriptions is the main driver for the high score. However, the indicators pertaining internet speed and smartphone usage, Egyptian cities still have a long way to go.

Many indicators in this subdomain were measured on a national level due to restrictions in data availability. The only indicators measured on city level are the ones concerned with the internet speed and cost and mobile subscription costs.

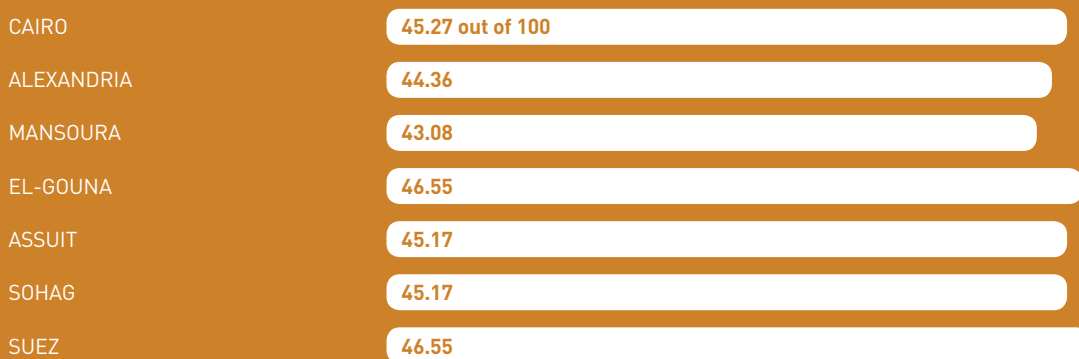


The indicators assessing internet and mobile internet costs and mobile broadband penetration suggest high potential for Egyptian cities. In the Internet Cost indicator, all cities scored somewhere between 82 and 86 out of 100, benchmarked against a global average score 68.2. The same pattern can be observed in the Mobile Internet Cost and Mobile Subscription Cost indicators where Egyptian cities topped the global SFI ranking 2nd and 1st respectively. Egypt also ranked 6th in the Mobile Broadband Penetration indicator.

Egyptian cities score poorly in the indicators assessing download and upload internet speeds. In both indicators, Egyptian cities ranked in a range between 27th and 44th with Cairo ranking the lowest in the global SFI. The indicators on Smartphone and Internet Penetration also have room for improvement. Egypt's smartphone penetration average was estimated at 27.2, roughly 3 points below the global average. The same would be applied to the Internet penetration and Mobile subscriptions where Egypt scored 26th and 19th in the global SFI with slightly below average scores.



5. Macro-Political and Legal Framework



Fair and reliable legal systems, political stability and low crime are important fundamentals for creating an environment that is conducive to starting a new business. The Macro domain Measures these factors through three subdomains: Political stability, legal framework and crime. Given the national nature of many political and legal systems, the first two subdomains are composed entirely of country level indicators. The crime subdomain has indicators from both the city and the country levels.

This domain constitutes a challenge for Egyptian cities despite recent improvements. The overall scores in this domain are slightly below the global average due to low performance in the political and legal subdomains. Conversely, Egyptian cities performed much better in the crime subdomain with only two indicators slightly below global average. Egyptian cities rank somewhere between 29th and 35th in the global SFI where Gouna is the best performer nationally and Alexandria the worst.



National Overview

Macro-Political and Legal Subdomain

Political stability has been a challenge for many countries in the MENA region since the beginning of the Arab Spring in 2011. Egypt, however, has witnessed relatively higher political stability since 2016. Nonetheless it still scores poorly on indicators pertaining to democracy and accountability. On the other hand, the legal developments accompanied by Egypt's economic reforms paints an optimistic image for the startup ecosystem in Egypt. Three main laws have been reformed to make Egypt more attractive for investors: Investment Law, Bankruptcy Law and the Value-Added Tax (VAT) Law. The three laws came in response to the conditions of the IMF's \$12 billion loan. According to a report by the Tahrir Institute for Middle East Policy, the investment law offers tax breaks up to 50% for companies operating in underdeveloped and remote regions. In addition, the law expands its scope to include new services and industries like education, sports and recycling¹².

The Bankruptcy law also supports private business through eliminating prison sentences for business owners who declare bankruptcy¹³. Finally, the new VAT law replaces what was previously known as the sales tax, where despite the tax rate increase from 13% to 14% for 2018, the new law exempts 56 basic goods and services for the sake of affordability to economically vulnerable individuals¹⁴.



12. Tahrir Institute for Middle East Policy. (2018). Economic Trajectory: Assessing Egypt's Economic Reform. *Economic Trajectory: Assessing Egypt's Economic Reform*. Retrieved from https://timep.org/wp-content/uploads/2018/10/TIMEP-EET-report_10-29-18-mks-edits-new-1.pdf

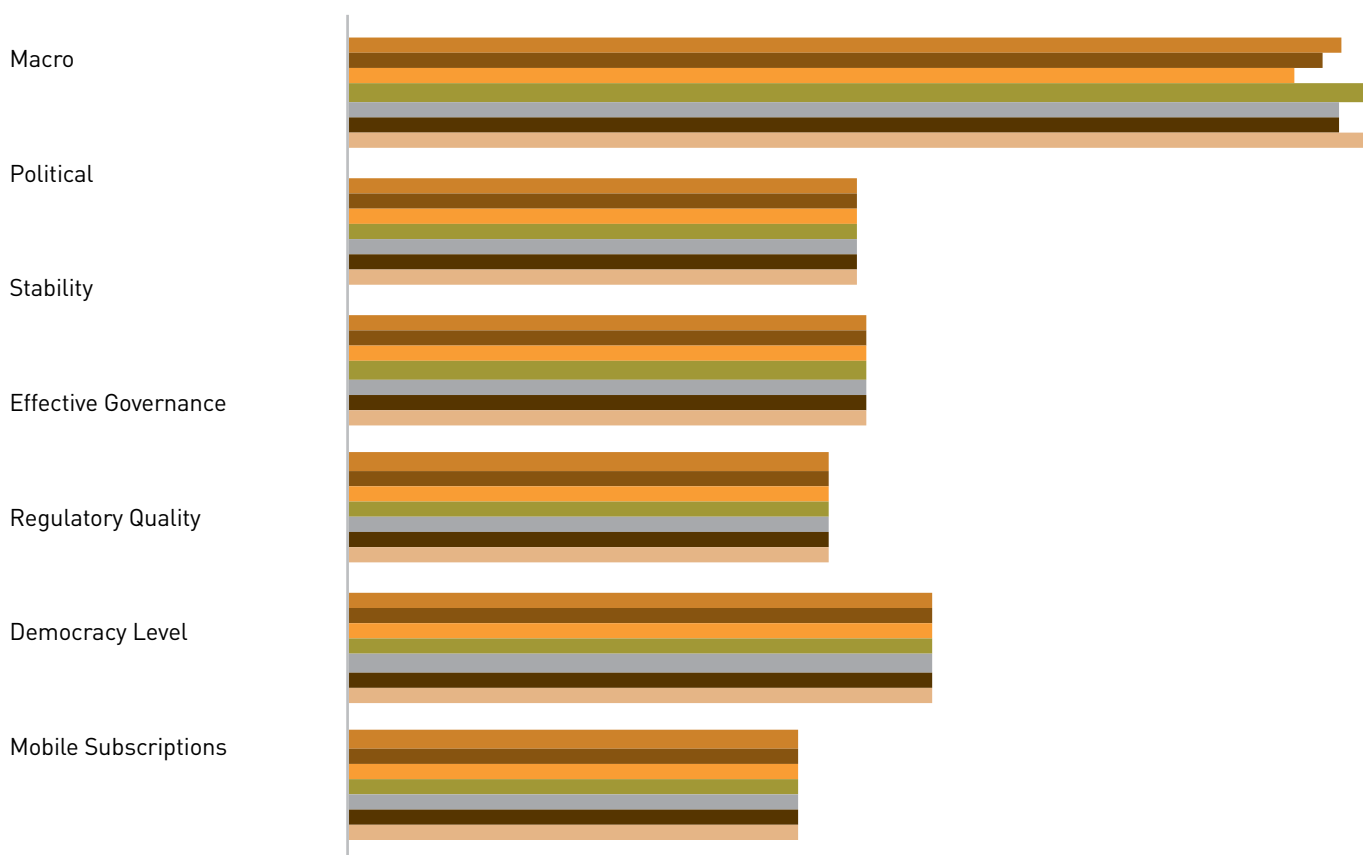
13. Ibid.

14. Ibid.

Political

Macro-Political and Legal Subdomain

The Political subdomain measures general political stability and government effectiveness, the level of democracy in the country, and finally the quality of regulatory system. On a country level, Egypt is still lagging behind in this subdomain compared to the rest of the countries in the SFI. Egypt ranks 31st in the global SFI and 10th in the MENA region.



Scores Ranges from 0-100

● Cairo
 ● Alexandria
 ● Mansoura
 ● EL-Gouna
 ● Assuit
 ● Sohag
 ● Suez

The best indicator for Egypt in this subdomain is political stability indicator where, despite scoring 12 points below the global average, our data suggests an improvement in comparison to previous years. Egypt ranks 32nd in the global SFI, while holding the 10th place in the MENA region. The Effective Governance indicator measures the perceptions of the quality of public services, the quality of civil services and the degree of its dependence from political pressures. In addition, it also assesses the quality of policy formulation and implementation and the credibility of the government's commitment to such policies. According to the World Bank, Egypt still struggles in this indicator with an overall score of 21.8 out of 100 — 11 points below the global average.

The Regulatory Quality indicator aims to capture perceptions about the ability of the government to formulate and implement sound policies that permit and promote private sector development. Egypt ranks 30th globally and 10th regionally in this indicator, roughly 11 points below the global average score.

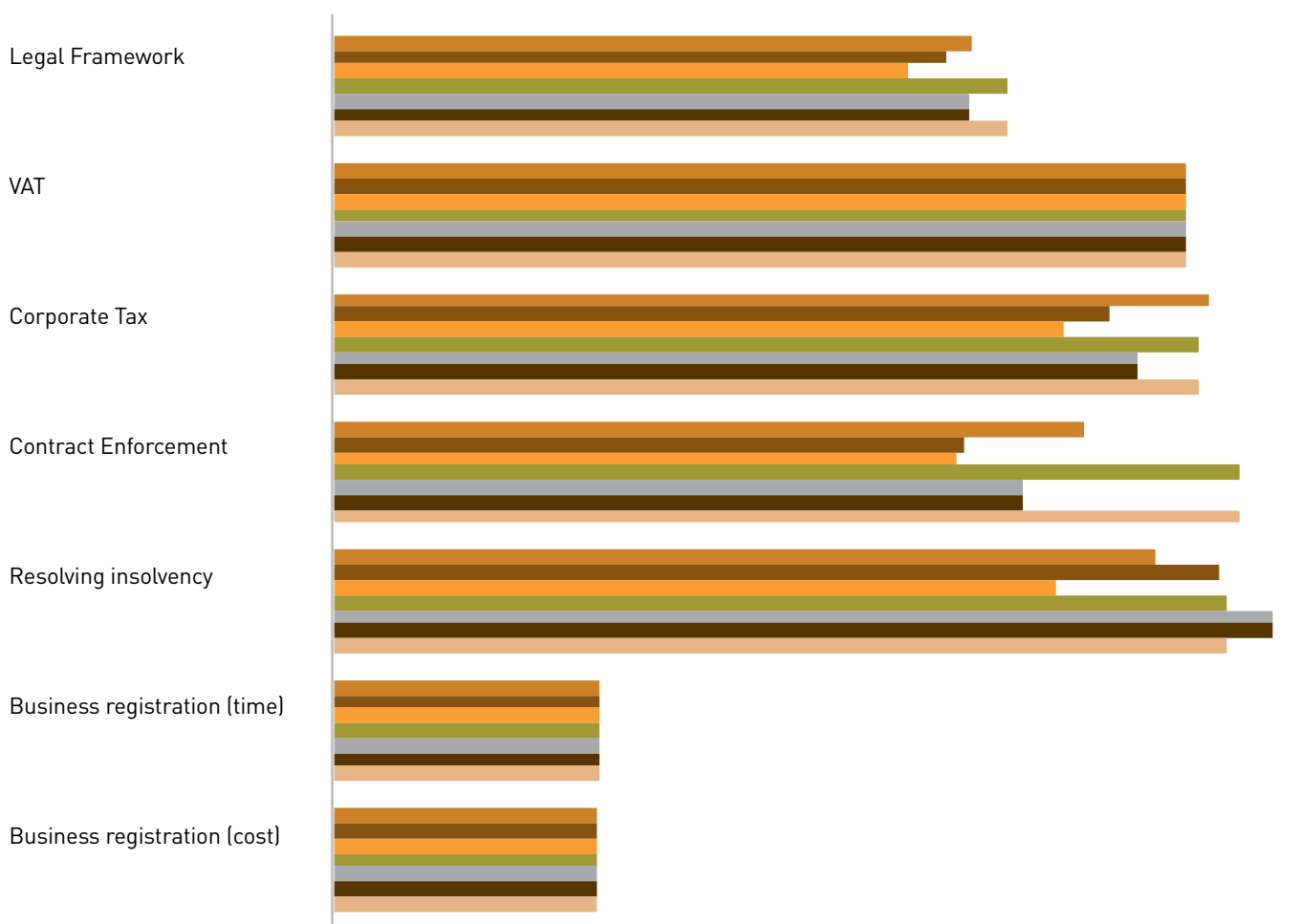
The final indicator in this subdomain is the Democracy level, in which Egypt is also struggling. With more than 25 points below the global average score, Egypt ranked 34th in the global SFI and 10th in MENA.



Legal Framework

Macro-Political and Legal Subdomain

The Legal framework looks at tax rates, options for resolving insolvency, how well contracts are enforced and what's involved with starting a business in terms of time and cost. Egypt also lags in this indicator, with an overall global ranking of 30 out of the 45 cities and 10th in the MENA region. The relatively low overall score could be largely attributed to the poor performance on two of the indicators; namely the contract enforcement and the cost of business registration.



Scores Ranges from 0-100

● Cairo
 ● Alexandria
 ● Mansoura
 ● El-Gouna
 ● Assuit
 ● Sohag
 ● Suez

The first two indicators in the Legal Framework are concerned with taxes: one for VAT and the second measures Corporate Tax. Egypt's VAT is estimated at 14%, slightly higher than the global SFI average of 13%. On the other hand, Egypt's corporate tax rate of 22.5% seems rather favourable in comparison to the global SFI average which is estimated at 25%.

The Contract Enforcement indicator is the most challenging in the entire domain. Egypt scores 25 points lower than the global average, thereby ranking 31st in the global SFI and 16th in the MENA region. Conversely, Egypt scored much better in the insolvency resolution indicator, ranking 15th globally and 6th in the MENA region.

The final two indicators are concerned with business registration time and cost. According to the World Bank, it takes around 11 days to register a new Business in Egypt, much less than the global average. The cost of business registration, however, was estimated at 40% of total per capita annual income which lowers Egypt's ranking to 36th in the global SFI and 15th in the region.

According to interview data, most startup founders and would-be entrepreneurs prefer to start informally until they're able to go through the registration process. Some expressed that the bureaucracy is the main reason why they do not prefer registering at the beginning, whereas others maintained that they couldn't afford the required documents needed for registration, such as feasibility studies.

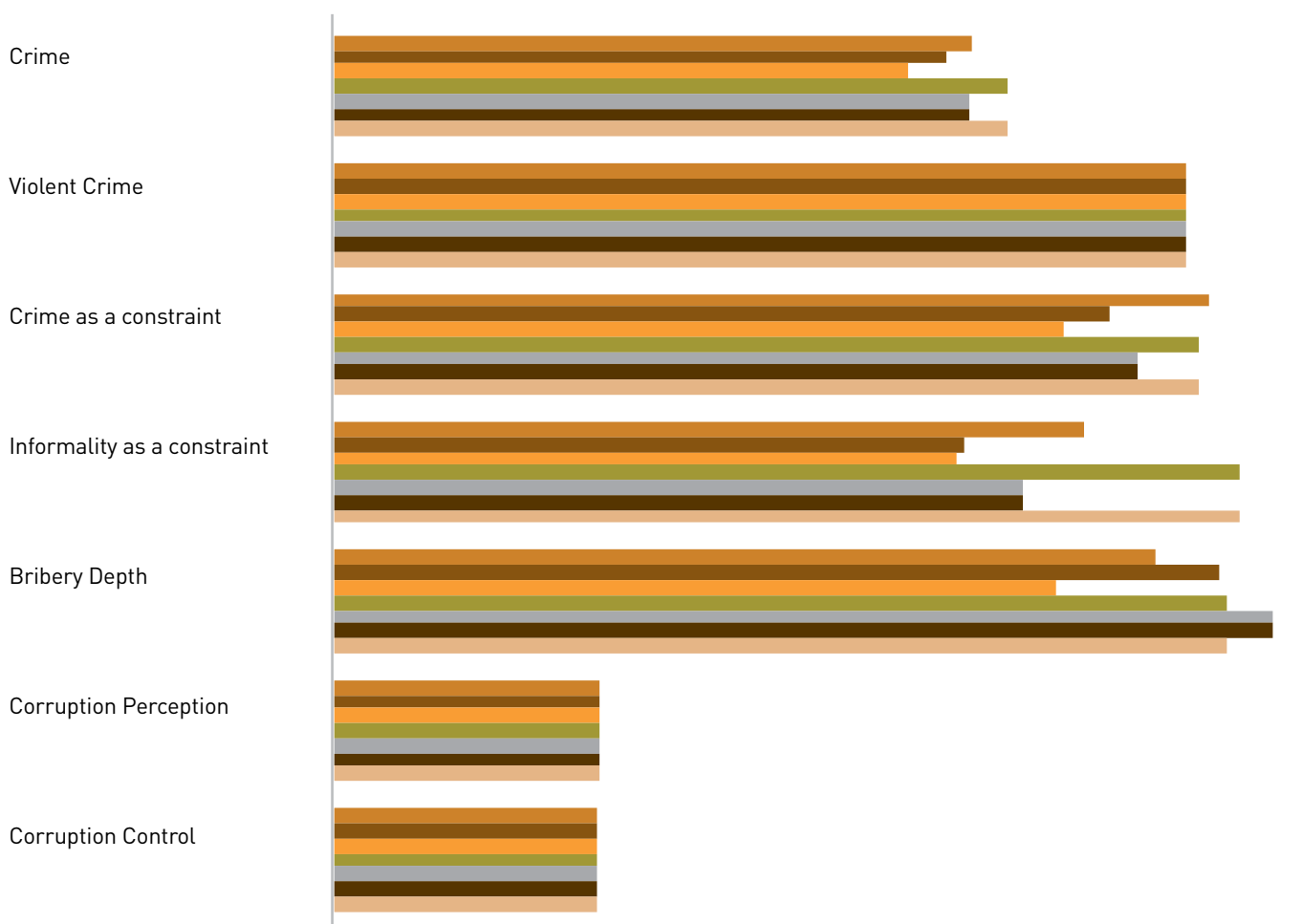
“Most startup founders and would-be entrepreneurs prefer to start informally until they're able to go through the registration process due to the high cost of business registration.”



Crime

Macro-Political and Legal Subdomain

The Crime subdomain measures the impact of violent crime, corruption and informality on business and everyday life. Three indicators (violent crimes, corruption perception, and corruption control) are measured at the country level, the rest of the indicators are measured on a city-by-city basis.



Scores Ranges from 0-100

● Cairo ● Alexandria ● Mansoura ● El-Gouna ● Assuit ● Sohag ● Suez

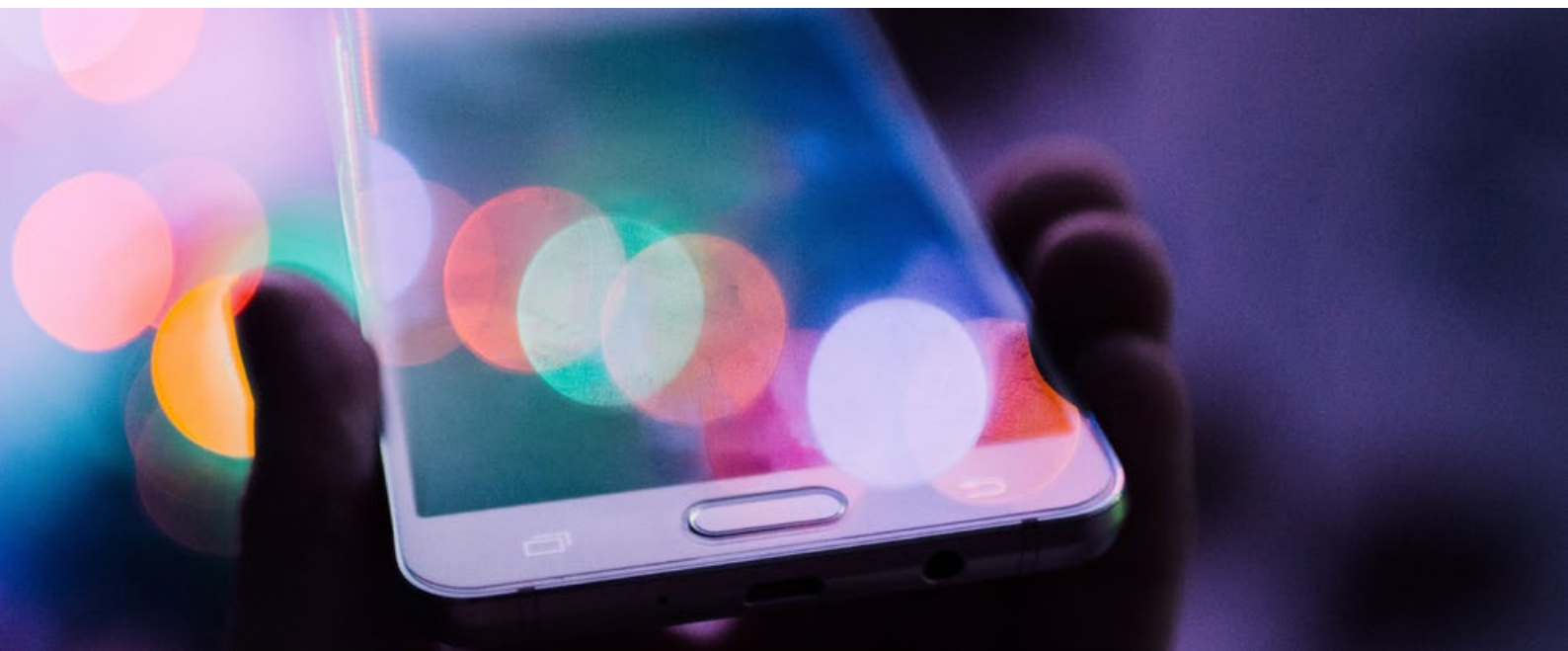
The overall scores of Egypt in this subdomain seem to be favourable. Suez and Gouna were ranked the highest in this subdomain ranking 7th in the global SFI. Cairo followed, ranking 16th whereas Sohag and Assuit ranked 17th. Poorest performing among researched cities was Alexandria and Mansoura ranking 24th and 27th respectively.

The first indicator in this subdomain aims to capture perceptions of the likelihood of violent crime in the country. Egypt has an outstanding performance in this indicator, ranking 2nd only after Singapore in the global SFI and 1st in the MENA region.

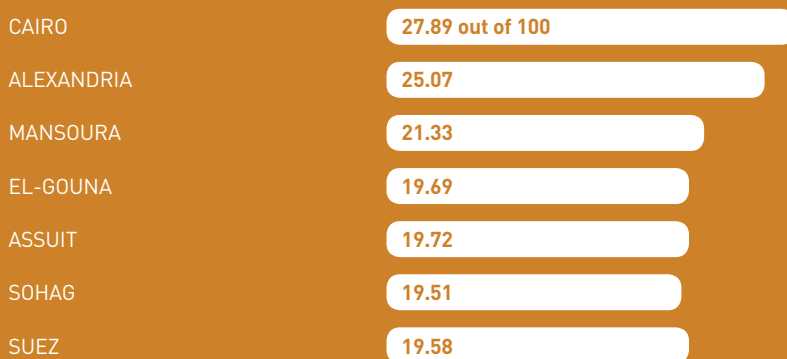
The second two indicators assess constraints to doing business in terms of crime and informality. On the Crime as a constraint indicator there's a considerable divergence between the cities with the highest score belonging to Cairo (ranking 16), followed by Suez and Gouna (ranking 19th). Sohag and Assuit had slightly below average scores ranking 28th in the global SFI, whereas Alexandria and Mansoura held the lowest ranks among the cities holding the 32nd and 33rd places globally. Following a similar pattern as the crime constraint, the informality indicator is much less of a constraint to business in Suez and Gouna, with the highest scoring cities ranking 5th in the global SFI. Cairo still ranks above average in the global ranking, holding the 17th place, followed by Sohag and Assuit ranking 25th. Alexandria and Mansoura are the cities struggling the most in this indicator ranking 30th and 33rd respectively.

On corruption, there are three indicators measuring bribery depth, the perception of corruption and corruption control, which are measured at the national level. The first indicator tries to estimate the percentage of public transactions where a gift or an informal payment was requested. With the exception of Mansoura, most Egyptian cities scored above global averages. Sohag and Assuit were the best performing cities, ranking 2nd in the global SFI. Gouna and Suez also scored well ranking 9th. Alexandria followed in the 13th place then Cairo and Mansoura, ranking 23rd and 35th, respectively.

Even though Egyptian cities scored slightly below the global averages in the corruption perception and corruption control indicators they still ranked in the first half of the global SFI, 22nd and 24 respectively. The first indicator assesses the Public's perception of the extent of corruption in their country whereas the second indicator is based on perceptions of the extent to which public power is exercised over private gain. It also examines public perception of the 'capture' of the state by the elite and private interests.



6. Market



The state of the economy has a direct impact on entrepreneurs' success. A strong open market with consistent growth and smooth logistic performance helps startups to start, scale and reach new markets. The Market domain assesses Macroeconomic conditions in terms of two subdomains: Performance and Connectedness. The essential goal is to describe the size of the economy and how active and dynamic it is within a city.

Egypt could do a lot better in this domain since it scored below average in almost all indicators, both the national as well as the city-by-city indicators. Suez and Sohag are the lowest performing cities in this domain, ranking 43rd and 44th in the global SFI. Assuit and Gouna also were ranked at the bottom of the global SFI ranking 40th and 41st. Mansoura, Alexandria and Cairo had slightly better performance but still were ranked in the second half of the global SFI holding the 37th, 32nd and the 26th places.



National Overview

Market Domain

Egypt currently has some of the world's highest yielding T Bills and bonds. Global debt investors have been pouring money into the Egyptian market since 2016 when the country signed a \$12bn loan deal with the IMF, floated the pound currency and enforced rapid austerity measures with the hopes of restoring fiscal balances.

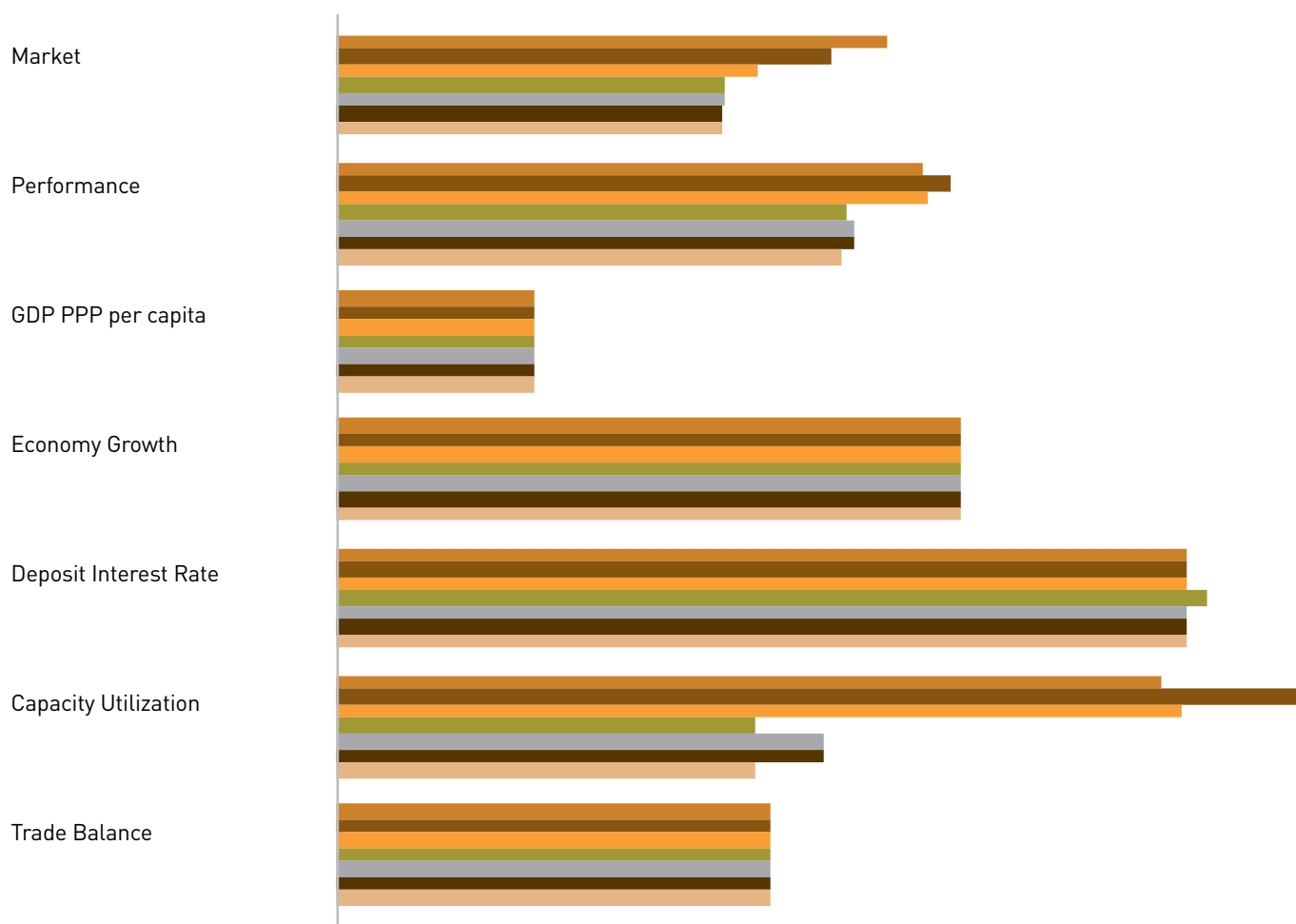
With the economic growth rate of 5.6%, economic expansion is the fastest in the region. Egypt needs to sustain a growth rate of 8%, driven by the private sector, in order to create jobs for the 2.5 million people entering the workforce every year. The economy is largely based on extractive industries. Startups will play a key role in transitioning the country to a knowledge-based, creative economy that provides high quality jobs for the future



Performance

Market Subdomain

The Performance subdomain measures GDP per capita, economic growth, trade balance, and interest rates on a national level. The capacity utilization indicator is measured independently for each city.



Scores Ranges from 0-100

● Cairo
 ● Alexandria
 ● Mansoura
 ● El-Gouna
 ● Assuit
 ● Sohag
 ● Suez

Despite the underperformance of most cities, the ranks of Alexandria, Mansoura and Cairo look more optimistic. The Capacity Utilization indicator is the main driver behind the divergence of each city's ranks, where the three cities scored slightly below the global average. In the overall subdomain, Alexandria held the 31st place, followed by Mansoura and Cairo ranking 33rd and 37th in the global SFI. At the very bottom of the global rankings came the rest of the cities ranking between 40th and 43rd.

The indicator assessing economic growth in the country is relatively optimistic. Even though Egypt scored below the global average in this indicator, it held the 24th rank globally. Given the economic reforms that have been taking place over the past 2-3 years, Egypt's GDP growth rate for 2018 was the highest in a decade¹⁵. This is reflected in GDP per capita, which was estimated at \$12,390. Though it is somehow lower than the global estimated average of \$14,940, Egypt ranked 16th globally this indicator.

The trade balance indicator on goods and services is also a challenge. Egypt scored approximately 12 points less than the global average thereby ranking 30th.

The Deposit Interest Rate indicator assesses the rate paid by commercial banks for demand, time or savings deposits. In spite of the fact that interest rates fluctuate according to the Central Bank of Egypt, World Bank data suggests an estimate of 12.3% which is a lot higher than the global average of 7%. As a result, Egypt ranked 35th globally.

The final indicator in this subdomain measures the percentage of current output as opposed to the full potential of the city. Alexandria is the top performing city in the study, ranking 27th. Next in line are Mansoura and Cairo ranking 32nd and 33rd. Finally, Soha, Assuit, Suez and Gouna scored lowest in global rankings, positioned at 38th and 40th respectively.



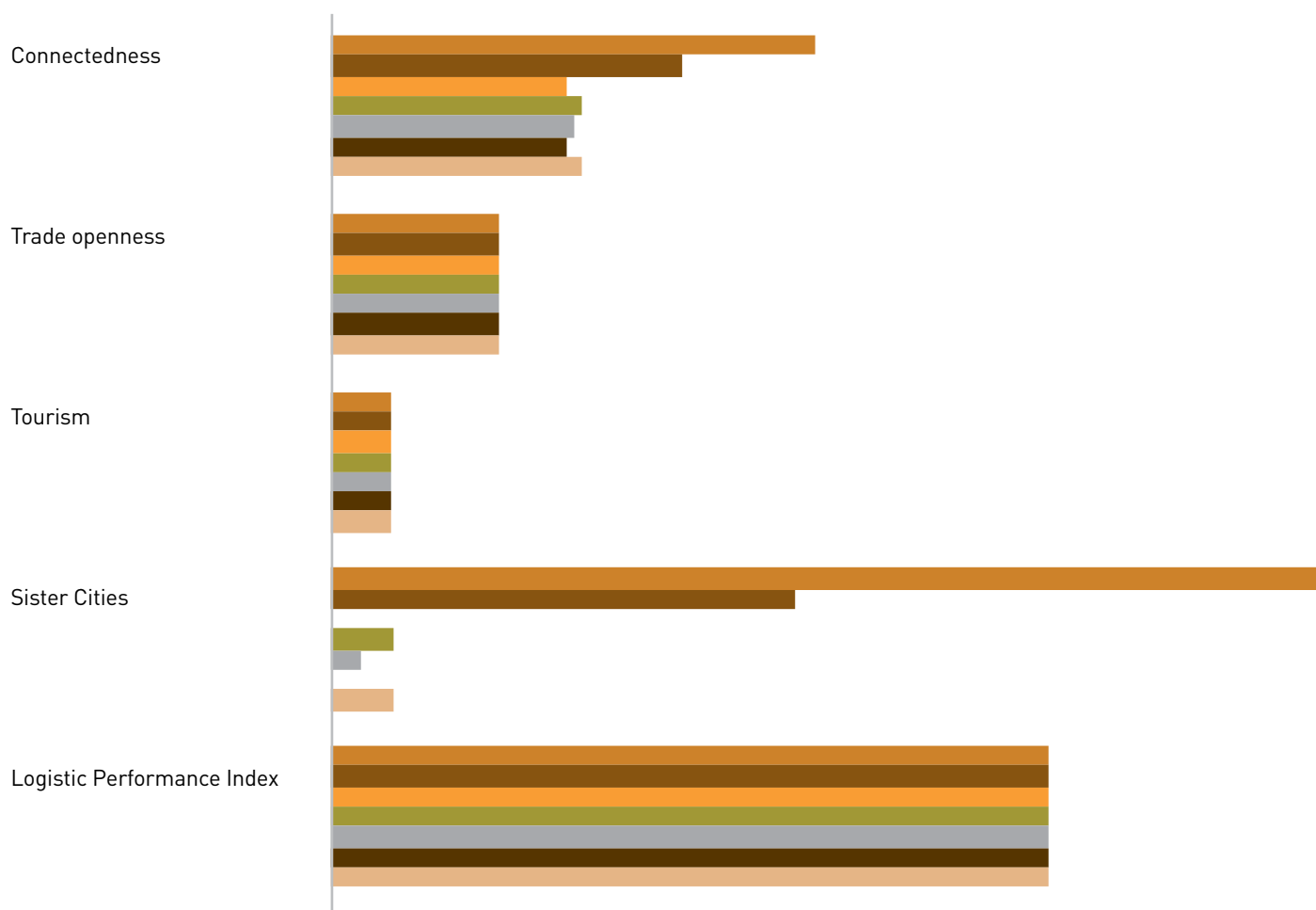
15. "Egypt Economic Outlook". African Development Bank Group. Accessed 26 Nov 2019.

Connectedness

Market Subdomain

The Connectedness subdomain considers openness to trade, tourism, and international relationships. With the exception of Cairo and Alexandria, this subdomain also presents a challenge for Egyptian cities.

All indicators in this subdomain are measured on a country level, except for the sister cities indicator.



Scores Ranges from 0-100

● Cairo
 ● Alexandria
 ● Mansoura
 ● El-Gouna
 ● Assuit
 ● Sohag
 ● Suez

The trade openness indicator is measured as the total percentage of imports and exports from the GDP. Egypt ranks 25th globally in this indicator. As for the Tourism indicator, Egypt is in the top half of the global SFI, ranking 19th. This indicator measures the number of arrivals per 100 habitants.

The final national indicator is the Logistic Performance Index, which assesses trade logistics performance. Once again, this indicator suggests an optimistic stance where Egypt is ranked 20th in the global SFI and 2nd in the MENA region.

On the city level, sister cities are cities that can have an influential effect on a city's international ties and economic social development. There's a large variance among Egyptian cities in this indicator where Cairo has 32 sister cities around the world, placing it in the 5th place globally and 2nd in the MENA region. Alexandria also scored favourably in this indicator with 15 sister cities, ranking 13th globally and 4th in the region. Conversely, Sohag and Mansoura had no sister cities whereas Suez and Gouna had 2 cities, while Assuit had only one sister city.



Sector in Focus: Fintech*

*The following excerpt is part of a proposal to the Central Bank of Egypt by The Greek Campus.

Research carried out by the Greek Campus team as part of its proposal to set up a Fintech Hub with the Central Bank of Egypt. Content and graphics by Moustafa Khater, Ahmed Mostafa, and Moataz Morsi

Africa

The African Venture Capital market has seen \$725M investments across 458 deals in 2018. This is 4 times the investment size compared to the previous year, over 1.25x increase in deal amounts, and a 3.2x increase in ticket size. The top ten investments account for around \$450M or 60% of the full continental investment amount.

The growth ratio compared to previous years is creating an exponential growth pattern worth noting. Grants and Prize Money occupy the top slot in addition to some series A deals being on the rise. Fintech leads the pack in terms of deal volume as well as deal value. Nigeria bags the highest number of deals, while South Africa received maximum investment.

25 Funds were launched through Africa last year with a monumental corpus of over \$1B and pushing seed level amounts to a higher ticket size expectancy. 22 Mergers and Acquisitions were observed in 2018. It is also worth noting that 7 out of the top 12 deals were in FinTech, none of which are Egyptian.

The African FinTech sector is leading the storyline of the startup innovation and investment ecosystem with a total of 40% of investments or \$285M over 93 deals; highest both in deals struck and capital deployed compared to any other sector. Healthcare comes second with 43 deals struck and Cleantech, with \$143M invested, comes in second by capital deployed, so FinTech is not only leading but double ahead from the trailing sectors.

Nigeria (34 fintech deals), South Africa (30 as well) plus Kenya (11) hold 72% of the total investments of FinTech. The rest is scattered.

Financial Services led the way with 24 deals and \$100+M. Payments follows in volume with 16 deals but further tops Financial Services with a notable \$110M deployed. Both combined occupy 75% of the fintech industry activity.

The Micro Lending fintech sub-sector is also becoming a fully blown phenomenon. It attracted in third place \$32.2M of investments over 13 deals (11% of total capital deployed; 14% of deal traffic of the African Fintech sector). Notably, Nigeria and Kenya representing West and East Africa respectively are globally seen as pioneers of financial inclusion and becoming a center of attraction for many lenders around the globe.

Egypt received a total venture capital injection of \$84M over 100 deals through 2018. This positions Egypt as #4 in Africa in terms of both deal flow and capital deployed.

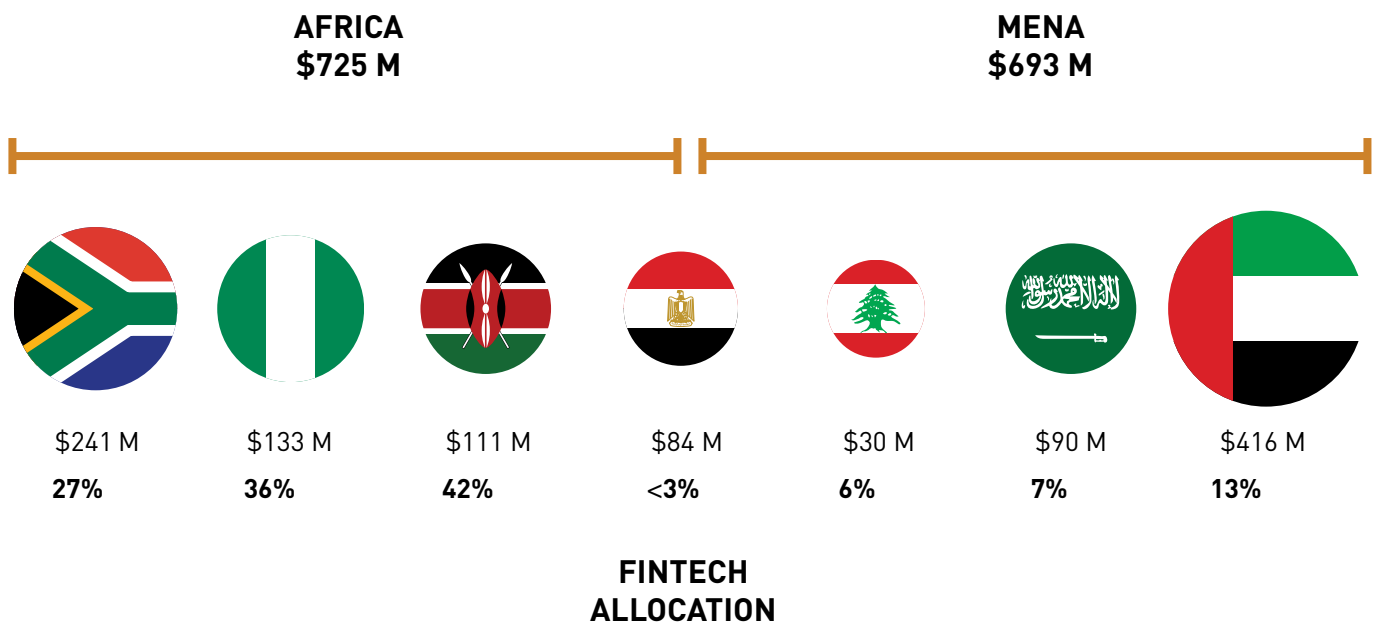
Most of investments into Egypt were pulled by Vezeeta in a series C round totaling \$12M, SWVL in a series A round of \$8M and \$6M for BasharSoft, owner of Forasna and Wuzzuf. The top three recipients of investment occupy the lion's share of capital deployed in Egypt. None of them in FinTech.

While 4th rank in Africa sounds bearable, Egypt is still far lagging behind the following ranks:

1. Nigeria (\$133M; FinTech ranks #1 in transactions with 34 out of 136 total deals)
2. South Africa (\$241M; FinTech ranks #1 in transactions with 30 out 108 total deals) and
3. Kenya (\$111M; FinTech ranks #1 in transactions with 11 out of 77 total deals)

The largest Kenyan deal of the year is in FinTech for \$47.5M or 42% of capital deployed in country.

The FinTech sector in Egypt is very narrow in ratio and size relative to top ranking African countries who have revolutionized the sector remarkably, creating immense impact on financial inclusion, digital transformation and a more economic lifestyle, propelling growth across sectors into macro-economic positivity and sentiment.



MENA

The African Venture Capital market has seen \$725M In MENA, \$693M was invested across 366 deals in 2018, putting it almost at par with the African VC investments. This is an increase of 31% in total funding and an increase of 3% in number of deals compared to 2017.

1. UAE (\$416M, FinTech ranks #1 in transactions with 18 out of 110 total deals)
2. KSA (\$65M, FinTech ranks among the lowest in transaction volume and deal sizes)
3. Egypt (\$84M, FinTech ranks among the lowest in transaction volume and deal sizes)

UAE accounts for the lion's share (60%) of startup investments with \$416M deployed capital, followed by KSA which invested \$65M in startups. Egypt saw an increase of 12% in startup investments last year, making it the fastest growing startup market in the region and placing the country, with the \$84M invested in startups, at the #3 spot.

The largest industry by number of deals in the MENA region was FinTech, accounting for 12% of all deals and driven mainly by UAE allocation and volume.

1. The rise of MENA's FinTech is driven by four opportunities: 86% of adults don't have a bank account
2. SME lending stands at half of the global average
3. The volume of ecommerce is set to quadruple over five years
4. 1 in 2 bank customers is interested in new digital services

Across the Middle East, FinTech is focused on technology-enabled innovation that improves existing financial services, but also provides routes for unbanked populations to access financial services.

The FinTech market in Egypt is still boutique with only 40 players - including startups, financial institutions and microfinance providers, as well as incubators, accelerators and investors. Its ecosystem has attracted significant investment over recent years, but declining in transaction and investment amount being un-hubbed from the rest of the startup ecosystem. There are some nascent FinTech startups in Payments, Crowdfunding, Insurance, Saving and Financing, a few of which have started to mature, but many opportunities remain untapped: Credit Score & Analytics, Personal Finance & Wealth Management, Retail Investments, Accounting & Bookkeeping, AI-driven FinTech, Digital Banking, Real Estate Investing and Blockchain.

As per The GrEEK Campus analysis, Egypt invested at large an estimate of less than 3% of all its startup capital in FinTech while Saudi Arabia invested approximately 7%. None of the Egyptian FinTech Startups listed in Appendix (9) of a later stage received series A investment or above in 2018. The GrEEK Campus' analysts also conclude that in 2018, only micro-sized companies received seed fund investments or angel investments respectively. On average, these investments rarely exceed \$50,000 per ticket. Having validated the numbers with startups and industry experts, there were no more than 5 startups that received \$50,000 seed investments or less in 2018 doing fintech related activity, putting total capital injection in the

FinTech industry at a \$250,000 (0.6%), or a highly conservative estimate of 3%. (adjusted from 0.6% intel estimate in unmapped economy)

While overall economic growth more than doubled in the past five years leading up to 2017 and with Egypt being deemed the fastest-growing MENA startup market in 2018, the fintech ecosystem is at the inception stage, mostly due to fragmentation of services.

The FinTech market is playing an important role in transitioning Egypt from cash to electronic payments at all levels of the financial services sector, from the high-level, centrally coordinated national banking system to the grassroots level, where fintech providers target the unbanked.

Yet investments do not reflect the continental and regional trend. Digital FinTech economy, especially entrepreneurship enablement, is still at infancy stage. There is more need for access to knowledge and data. There is also more room for a vaster and more engageable private sector to participate. This will grow the fintech sector in size and ratio versus current state of the entrepreneurship ecosystem and prepare the nation for a solid platform to innovate, using fintech as a cornerstone and platform for economic growth. Further there is more desire for academic collaboration and an opportunity to create an exemplar central model that could scale in its impact across Egypt.



Recently in the news

Egypt has the makings of a booming fintech industry, says IMF: Egypt has tremendous potential to expand in fintech due to its large economy, mature banking industry, young population, and wealth of human capital, IMF Middle East and Central Asia Director Jihad Azour said during a seminar at the American University in Cairo on February 12, 2019. He also suggested that the industry has a long way to go in banking small businesses, noting that only 50% of SMEs are participants in the formal banking sector, despite startups and SMEs accounting for 75% of Egypt's labor force (higher than the MENA average of 50%). Supporting the companies will be key to promoting financial inclusion in the region, and this can be done through fintech and non-banking financial services, he said. Azour's statements come amid efforts by his organization to convince SMEs to join the formal economy in Arab states.



Policy

Recommendations

Human Capital Recommendations

In a fast growing economy with an increasing supply of highly educated young graduates, Egypt's strongest potential certainly lies in its human capital. In order to best capitalize on this component, efforts should be made to facilitate its improvement on both the supply as well as the demand side:

1. **Quality over quantity:** In order to better address the skill mismatch between the supply of educated graduates and the available jobs, better mapping of the required skills is essential to better align educational and training programs with the job market. In addition to technical skills such as software development and design, most startups also require business-related skills to manage their day-to-day business activities; these include sales, marketing/communication, and finance. Targeting entrepreneurial education and technical skill needs should be a priority for both public and private actors.
2. **Entrepreneurial capacity-building:** In concurrence with a strong educational basis, young entrepreneurs can become exponentially more successful when engaged in a support environment where they are easily able to acquire skills and mentorship beyond their technical knowledge to help them manage their startups better. While this environment is fairly developed in the bigger cities, it still lags behind to a large extent in the more nascent ecosystems. Mentorship providers should thus expand to more cities to help deliver knowledge and skills to entrepreneurs in the form of courses, and to establish a basis for networking and peer-sharing among the entrepreneurs themselves.
3. **Local specialization:** Startup ecosystems are most successful where they can capitalise on positive agglomeration effects, where there are innovative entrepreneurs that are able to easily find specialised and skilled labour to help them scale-up better and faster and where high mobility actually fosters a more dynamic and competitive ecosystem. There is a potential scope for the government to strategically align its larger developmental goals with entrepreneurship, where certain entrepreneurial specialisations could be promoted around growing industries, where startups would help both innovate and streamline the industry through filling market gaps. As such, these areas/cities could foster stronger linkages with local universities or technical training as required by the industry.



Finance

Recommendations

1. Ease restrictions on setting up new funds: FRA Executive Decision 35 Article 4 states that in order to set up a new fund, 25% of capital needs to stem from financial institutions (as opposed to individuals, funds of funds, international development banks).
2. Promote pension funds and other public funds to consider VCs as an asset class: Globally, pension funds are moving into riskier corners of the markets in search of yields. This is sensible as long as they know what they are getting into and understand the risks and hidden costs of these investments. It is advisable for the Egyptian Government to follow suit and open up more public funds to VCs as an asset classes or ease capital inflow into VCs.
 - a) The government to directly supply capital to venture capital firms or new startups (open up pension funds to consider VCs as an asset class)
 - b) The government can provide financial incentives that would encourage investors to invest in venture capital funds or small firms.
 - c) The government can affect the regulations controlling types of venture capital investors.
3. Egyptian Banking Institute (EBI) to continue promoting its program to train commercial bankers on startup financing.
4. Fill funding gaps at certain stages of the market. Indicators show that that there is a surplus of seed stage (USD 0-100, 000) and late stage (USD 500,000+) funding. Support and fund financiers focused on "the valley of death" ticket sizes between USD100,00 and USD500,000



Startup Scene Recommendations

Promote and facilitate three way partnerships between universities, corporate venture capital, and coworking office / incubation spaces. That will allow entrepreneurs to test their ideas and gain traction faster with corporates. It would also provide university students with practical components typically missing at schools. Students can choose to work at a startup to complete graduation projects at startups instead of writing a dissertation, or transform their academic findings into profitable business solutions. As an innovation agent with abundant resources, the development community and startup ecosystem builders alike could undertake several roles that will have a significant impact on building corporate and startup partnerships, as partners, facilitators, matchmakers, enablers, and donors.



Infrastructure Recommendations

Despite the bold agenda that prioritizes infrastructural reform and pumps both domestic — public and private — as foreign investment into different sectors, there still remains a large discrepancy in the quality of infrastructure across Egyptian cities. Based on our research findings, the following areas require attention:

1. Availing consistent and reliable utility services is one of the cornerstones for a healthy business environment. This remains a challenge whether in over crowded cities that encounter the occasional outages, or remote cities that receive lower priority in service provision. In light of scarce resources, the government should strategise more alternative energy projects, possibly in collaboration with international organisations who are already pushing for a wider spread of green fuels. Not to mention, this in turn opens up more opportunities for startups in the energy sector.
2. Following the government's ongoing ICT development policy that aims to foster the country's digital economy, our findings suggest that there is much room for improvement in internet services; which is -naturally- essential for high-tech businesses to thrive. The current state of public-private competition in the market doesn't seem to be keeping up with the rate of growth internet usage all over the country. The recommendation here is for the government to concentrate its effort into modernizing the existing infrastructure, in keeping apace with the increasing usage rate, as well as forging more strategic partnerships with private competition to make use of the improved infrastructure to provide better services.
3. Strategically planning for startup ecosystems to complement industrial and transport hubs, where startups can be very beneficial in streamlining processes by innovatively addressing market gaps and capitalizing on local skills.



Macro Recommendations

The Egyptian economy faced a dire growth challenge in the midst of political upheaval, and indeed the government has managed to almost double the GDP growth rate since 2012. However, this growth is burdened with a myriad of structural problems that stifle its economic functioning on the micro level. As pertains to startup ecosystems, our main recommendations are:

1. Streamlining bureaucratic processes: Unlike the case in other developing countries, it is actually rather easy to formally incorporate a new company -albeit a bit costlier. However, Egyptian red tape remains notoriously challenging, in terms of bureaucratic efficiency as well as navigating legal bodies and processes. Following the efforts of the Ministry of Investment (MOI), which has been advertising for a more simplified process as part of the overall agenda to attract foreign investment; startups could benefit from a tailored campaign to facilitate the navigation of the relevant administrative and legal spheres.
2. Decreasing the cost of business registration: One of the caveats of the high cost required to register a small business in Egypt, is that they opt to start informally; which one of the main reasons for the considerable growth in Egypt's informal sector. The informal economy is particularly precarious, not only for businesses that operate with no legal rights, but also opens the door for masked unemployment, resulting in inaccurate accounting of national indicators. The government could thus benefit from revisiting the costly requirements of business registration through devising a system that differentiates the required documentation and fees based on the type and size of the company.



Market Recommendations

1. In 1979, when the relaxation of investment rules for U.S. pension funds led to historically large inflows to the venture capital asset class, many forward-looking tech companies were funded, whose revenue today is equivalent to one fifth of the country's GDP, while only 1% of GDP was invested in those startups.

The role of the Egyptian government in the economy could be refined - funding not only the rate of innovation, but also steering its direction. Venture capital plays an important role, specializing in screening risk and uncertainty, thereby connecting idea-rich entrepreneurs with cash-rich funds, including those in the public sector.

Countries that transformed their economies through 'smart' innovation-led growth have benefited from long-term, comprehensive 'mission-oriented' policies aimed directly at moving away from extraction to creation.

Governments did not only invest in venture capital, but also in education, R&D and the emerging technologies that feed into venture backed companies. They created a network of decentralized public and private actors and devised special tax credits that favored creative activities more than others.

2. Focus on strategic verticals that fill a dire market gap, such as Fintech, Mobility, and Cleantech. These sectors contribute to longer-term improvements in productivity and performance of companies and industries in other sectors, facilitation in payments and mobility with ripple effects on time savings and productivity, reduction in pollution, shifts from extractive to creative sectors, institutional knowledge and its contribution to developing and training the workforce as well as the resulting ripple effects.



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Space (Coworking) and Team Yeah in Mansoura
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Ibrahim, Founder at Space Workhub
Fatma, Employee at Ideospace Coworking Space
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Aya El Deghedy, Career Counselor

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Sources and Indicators

INDICATOR NAME	SOURCE
Workforce Constraint	World Bank, Enterprise Survey
Skilled workers	World Bank, Enterprise Survey
University Score	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
Labour Regulation Constraint	World Bank, Enterprise Survey
Graduates' salaries	Own Research, Berlin Startup Survey
Software Developers' Salaries	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
Business Angels	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	MENA PEA, Adapted through own research
FDIs Net Inflow	World Bank
Business Angels (total number)	Angel List
Accelerators	Own Research, Expert Consultation
Incubators	Own Research, Expert Consultation
Co-working 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
Transport 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
Co-working 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	Econoimc 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



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enpact is a Berlin-headquartered non-profit organisation empowering entrepreneurs, ecosystems and international cooperation. enpact is one of the world leaders in the cultivation of startup ecosystems as a means to promote international cooperation and development. Through a variety of products and services, enpact supports founders and startups in Europe, Africa, Asia, Latin America and the Middle East. The goal is to create a global network of startup ecosystems that facilitates the exchange of ideas, solutions and support. At present, enpact's network consists of 600+ startups, 200+ mentors and 50+ support organisations in 20+ countries. 2500+ jobs have been created as a result of enpact's work with startups.