

## Egypt: Prospects of a Startup Nation

*Sherif Kamel*

### Abstract

*In today's economic, business and social spaces, communities and societies around the world constantly face a set of challenges and impediments related to growing unemployment, economic development, inclusive development, changing market dynamics, and tough business conditions amongst others. However, these societies are regularly presented with a variety and spectrum of opportunities given the continuous development of new markets, the growing role of cutting-edge and innovative technology platforms especially with the growing penetration and impact of the fourth industrial revolution, the evolution of the digital economy and the global widespread of entrepreneurial initiatives and activities around the world in both the developed world and in emerging economies. This paper addresses the development of the entrepreneurial culture in Egypt over the last several decades with an emphasis on the post-2011 uprising and the resulting impact of the intersection between the youth opportunity and innovative technologies.*

Egypt is experiencing a technological and socioeconomic transformation that could be the answer to a better and prosperous future for its next generations. The beneficiaries today represent a small segment of the society, but this could be scaled-up with the dissemination of information and communication technologies and the diffusion of mobility across the country. The key building block is formulating and implementing an effective and holistic plan for investing in human capital, mainly the youth opportunity, that represents 60% of the population who are under the age of 25 and demonstrating an invaluable wealth of human capital capable of turning around the future of Egypt.

Therefore, universal access to proper lifelong learning and to emerging innovative communication technologies would provide ample opportunities for development and growth regardless of time and distance barriers. There has never been an open access environment to a repository of knowledge and learning platforms, tools and applications as the one that the world is witnessing today, and the more Egypt capitalizes on these platforms the more its economy will become agile, adaptive, and competitive. Furthermore, this will provide an opportunity for the proliferation of tech, tech-enabled and non-tech startups that can transform the society through enabling and disseminating more innovation, creativity, and entrepreneurship. In short, Egypt needs more entrepreneurs because they create jobs, growth and more a competitive society.

For many years, entrepreneurship has been an instrumental platform for various emerging and developed economies given the growing passionate, tech-savvy, innovative and interconnected young populations around the world and the potential opportunities offered by information and communication technologies (Kamel, 2015a). However, innovation cannot solve all the problems that have developed over many decades, especially in emerging economies (Schroeder, 2017). While innovative technologies represent an enabling environment that can make a difference, they should be coupled with a proper legal, regulatory and support environment as part of a comprehensive entrepreneurial ecosystem. Accordingly, there is a need to engage different stakeholders including the private sector, the government, non-governmental organizations, and other institutions and individuals that can enrich and support building an entrepreneurial culture (Ducker, 2015).

Policies, laws, regulations, procedures, logistics, and many more elements represent some of the key integral components of the holistic enabling environment that needs to be put in place for the development and effective realization of entrepreneurial activities and resulting implications. Changing the mindset while aligning to societal norms, values and beliefs as well

as economic needs is key. Therefore, regular adaptation to changing local market conditions is important while keeping an eye on global trends and directions. It is important to emphasize that there is never one size that fits all and plug and play across different countries whether developed or emerging would not be the most effective nor sustainable option.

Moving forward, efforts should be directed towards the development of an ecosystem conducive to tech and non-tech-based entrepreneurial endeavours and their associated implications across the different sectors of the economy (Kamel and Schroeder, 2016; Schroeder, 2013). The culture of entrepreneurship should be built in-sync, bottom-up and top-down, seamlessly and simultaneously. It is a mindset that transforms the society to think entrepreneurially rather than being just focused on building enterprises and creating jobs (Kamel, 2016). A noisy buzz should be created all around the ecosystem to provide the required momentum, passion, drive and energy.

The role of youth, practitioners, academics, industry experts, business leaders, mentors, investors, innovators, educators, and trainers can never be discounted within the entrepreneurial space. The objective should be to create an entrepreneurial culture that is dynamic, iterative, adaptive and competitive. This can only be realized through revamping the entrepreneurial education and experience in school curricula and redesigning the delivery approach to focus on experiential learning, critical thinking, inclusiveness, forward thinking and moving from the traditional and the predictive mindset into the unconventional, exploratory, discovery and the uncertain creative out of the box approach. Students should learn and enjoy the core of entrepreneurial education as well go through at least one entrepreneurial experience before leaving school which would open up opportunities and possibilities for those who will opt to continue with their university education as well as those who will opt for vocational training and directly start their professional career; another key step

that requires a shift in mind-set regarding internships, co-op programs and hands-on training before graduation.

There is never a perfect time to start promoting entrepreneurship but, whenever the ball starts rolling, it has to be disseminated across the society and it has to be open to risk taking, problems, challenges, venturing into the unknown, and failure (Kamel, 2015a). Success is just only one element of the journey. Thinking big from the outset definitely helps the dissemination of an entrepreneurial culture, and for emerging economies such as Egypt it could be the ideal transformational socioeconomic platform (El-Dahshan et al, 2011).

Egypt's population is growing at an annual rate of 2.6% and technology access has been rapidly increasing across the country with over 52% and 114% internet and mobile penetration rates respectively (U.S. Census Bureau, 2018) representing a unique opportunity for change and improvement and the universal access and intersection of technology, innovation, youth and entrepreneurship could be the enabling platform that is opening up unlimited access to knowledge, people, opportunities and ideas.

Investing in creating a pool of energetic, passionate, technology-savvy entrepreneurs and change agents who can make a difference is exactly what Egypt needs. Creating an entrepreneurial culture is never a one-man show nor the playground or the creation of one organization whether public or private. It is the collective effort of many constituents in the society towards a clear vision and a set of common goals and that includes but is not limited to creating jobs, establishing enterprises, educating youth, establishing laws, setting the regulatory environment, supporting the private sector, facilitating the investment space; all to help boosting economic productivity. Some of the key invaluable elements that need to be addressed include; (a) integrating and embedding the entrepreneurial skillset and knowhow into the education system, which for Egypt remains untapped; (b) accessing financial resources and micro-loans is still limited and challenging; (c) transforming the legal and regulatory

frameworks that are impeding the quick, effective and efficient establishment of startups including obtaining the necessary licenses and permits and introducing bankruptcy procedures; and, (d) mentoring, advising and supporting women, the unemployed, the uneducated, senior citizens and other potential entrepreneurs; in many ways what could be called the untapped yet the largest segment of the society.

In Egypt, there are at least 7.1 million public servants representing a huge pressure on the government (Kamel, 2015b). However, that figure leaves a large segment of the population ready for a more robust, competitive and mostly service-oriented private sector. For every challenge there is an opportunity that can be created and that is the entrepreneurial spirit that needs to be embedded in the popular mindset. The more diversified and varying challenges there are, the more opportunities and breakthroughs that could be created given the deployment of an innovative approach that is customized to local markets (Kamel, 2011).

In many ways, micro, small and medium-sized enterprises (MSMEs) are the primary avenue by which entrepreneurs provide the economy in Egypt with a continuous supply of ideas, skills, and innovative products and services. Today, MSMEs employ the majority of the workforce, around 7.5 million people, and account for 50% of the nation's GDP; around 10% or more are led by women and 90% of the total volume of establishments are family businesses. However, the majority of MSMEs are not registered, so most probably double these figures are active in the informal economy meaning that MSMEs represent at least 80% of the total employment in Egypt. One key direction that is currently underway that could have minimize such challenge is the proliferation of several initiatives and projects that address the issue of financial inclusion and the automation of taxation among other efforts.

During the last decade, some of the main players that have joined the entrepreneurial ecosystem include the American University in Cairo's School of Business with its Venture-Lab and the Center for Entrepreneurship and Innovation, Flat6Labs Cairo, Injaz Egypt, the

Egyptian American Enterprise Fund, Cairo Angels, the American Chamber of Commerce in Egypt, Endeavor Egypt, Rise-up Summit, Rise Egypt, Nahdet El-Mahroussa, the Technology Innovation and Entrepreneurship Center, Pyramids 138, Ashoka, A15, Algebra Capital and many more organizations that increasingly contribute to a collaborative and an effective ecosystem that is increasingly having sustainable and scalable implications; yet much more still needs to be done.

Egypt is not known for being rich in oil, but it is definitely blessed with one precious resource that in many ways is the “oil” of the 21<sup>st</sup> century – human capital. This is an incredible force that could take the country forward through the creation of a startup culture that could be scaled-up across the nation’s different provinces. However, no scaling-up can happen unless the right infrastructure and “infostructure” is timely built, properly disseminated and efficiently institutionalized. In the 21<sup>st</sup> century, youth are more than ever eager to start their own business, be self-employed, make a difference and contribute to society. Unlike previous generations, they are not primarily looking for opportunities as civil servants. They want to take risks, venture into the business world, even if they do not have all that it takes to be successful in a competitive, global and dynamic marketplace.

With the need to create over 800,000 jobs annually in Egypt, the path for development and growth can only be created through a scaled-up agile, competitive and growing entrepreneurially-driven society. The bigger the base of potential entrepreneurs, the more likelihood a growing number of startups will prevail. It is all about scalability and the continuous flow of ideas that can go to the next level. With Egypt’s demographics, the potential is huge and with the typical challenging conditions of emerging economies, innovation becomes a model by which underprivileged societies have the passion, determination and will to make a difference and improve their standards of living. The best ideas come in desperate times and real motivation happens when people are more challenged economically and socially

so what really counts is human capital and their effective role in society as agents of change and, more importantly, the transformational impact they can help realize.

Creating a thriving entrepreneurial culture and a startup ecosystem requires both talented individuals and a receptive and an enthusiastic society. Therefore, while spreading the notion of entrepreneurship to a broader audience across Egypt there is a need to identify, mentor, incubate, finance, connect and support those who possess natural talents, facilitate, empower and endorse their success. From the theoretical and academic to the practical and applied, a well-established entrepreneurial culture could be on its way to help build Egypt's economy in a more inclusive and impactful way and could be the platform for a startup culture, a startup society and a startup nation. Therefore, for Egypt, it is time for a holistic and effective entrepreneurial ecosystem that is government-enabled and facilitated, youth-led and empowered, private-sector supported and endorsed, innovation-driven and guided and future-oriented and focused.

## References

- Ducker, M. (2015). Egypt entrepreneurship: where are all Egyptian entrepreneurs. Final report. Washington DC: United States Agency for International Development.
- El-Dahshan, M., Tolba, A., and Badreldin, T. (2011). Enabling entrepreneurship in Egypt: toward a sustainable dynamic model, *Innovations*, volume 7, number 2, pp. 83-106.
- Kamel, S. (2016). Startup, *Global Focus*, The European Foundation for Management Development (EFMD) business magazine, volume 10, issue 3, pp. 52-55.
- Kamel, S. (2015a). ICT4D – case of the information society in Africa, *Encyclopedia of Information Science and Technology*, 3<sup>rd</sup> edition, edited by Mehdi Khosrowpour, Hershey: Information Science Reference, pp. 3972-3980.
- Kamel, S. (2015b). Time for an entrepreneurial uprising in Egypt, in *The Arab Weekly*, May 8, pp. 18.

- Kamel, S. (2011). Managing after the Arab spring, *Global Focus*. The European Foundation for Management Development (EFMD) business magazine, volume 5, issue 3, pp. 56-59.
- Kamel, S., and Schroeder, C. (2016). Economic recovery and revitalization, *Research study*. Working group report of the Middle East strategy task force. Washington DC: The Atlantic Council.
- Schroeder, C. (2017). A different story from the Middle East: entrepreneurs building an Arab tech economy, *MIT Technology Review*, 3 August.
- Schroeder, C. (2013). Startup rising – the entrepreneurial revolution remaking the Middle East. New York: Palgrave Macmillan.
- United States Census Bureau. (2018). Digital in Egypt – A snapshot of the country's digital statistical indicators, U.S. Census Bureau.