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Social Entrepreneurship Country Report
– Arab Republic of EGYPT –

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Overview: The purpose of this report is to present the descriptive analysis of the Social Entrepreneurship ecosystem in Egypt at its three levels: macro, meso and micro, relying on a unique MEDUP approach. The research also aims at identifying the potential opportunities and challenges facing the Social Entrepreneurship sector in Egypt, and suggesting applicable recommendations.

Keywords: Social Entrepreneurship, MSMEs, stakeholders, innovation enablers, innovation ecosystem, incubators, Egypt

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1. INTRODUCTION

The practice of social entrepreneurship in Egypt predates the term's modern conceptualization. Entrepreneurial initiatives to find solutions to group problems have existed, but with multiple needs and constraints, varying from access to finance (a main problem across the board in Egypt) to issues of legislation, structure, rights, organization, and informal economy.

Much concerning the social entrepreneurship ecosystem in Egypt remains undocumented due to the novelty of **the concept** in civil and policy dialogue, as well as the diversity of types of organizations doing social enterprise (SE) work: companies with a 'service contract,' NGOs, incubated projects, youth groups, women's groups, and informal associations. Since each different entity type is associated with a different ministry, the range and makeup of stakeholders and policy makers is also diverse.

A common trend within this varied ecosystem, however, is for SEs to focus on alleviating immediate problems affecting citizens' daily needs, acting as Alternative Service Providers (ASPs) during times of local crisis. **Social enterprises are thus particularly relevant to Egypt today.** The last decade of 'global economic slowdown', which also witnessed the January 2011 Uprising in Egypt, left the country in deep socio-economic and debt crises. According to World Bank data, GDP growth in Egypt stagnated from 7% in 2008 to just above 4% in 2018, experiencing a low of 1.7% in 2011. Overall Debt has recently exceeded 100% of GDP, and poverty has risen to almost 30% of the population (partly not an organic rise, but instead due to new and more accurate census data).

All cohorts were impacted, but **youth and women were shown to be particularly vulnerable** due to decades of economic marginalization and political exclusion (Abdou and El Ebrashi, 2015: 38). Generating employment opportunities for Egypt's youth is considered one of the main challenges for the economy and policy makers. The problem is exacerbated by the size of Egypt's (youth) population and the number of annual entrants to the labor force, which indicates matters will get worse yet if nothing is done.

The above challenges also present an encouraging environment for Social Enterprises in Egypt, especially if provided with the right kind of technical, financial, and managerial support. Recent national efforts to restructure the economy have produced a transition marked by high inflation and

a plummeting exchange rate. These efforts have also promised, however, a new logic of economic growth and development, one that carves out a larger role for the private sector. In this environment, first-mover social enterprises could set repeatable precedents for other SEs. Similarly, **dialogue between Civil Society Organizations (CSOs) and government** could result in favorable legal changes regarding company registration, tax, or local support mechanisms. Furthermore, financially sustainable business models with a strong social focus can negotiate income inequality in Egypt and allow for inclusive growth.

Post-Uprising policy concerning youth unemployment has included a great focus on conventional entrepreneurship as a source of gainful employment for youth. These efforts have not produced the desired result: according to World Bank data, youth unemployment in Egypt rose sharply between 2009 and 2012 from 26% to 36% and has not significantly fluctuated since. **Social entrepreneurship remains an unexplored solution to the problems of youth employment and** should be encouraged alongside conventional entrepreneurship.

According to experts (AECOM, 2016: 30), Egypt and other MPCs need, in order to fight high rates of unemployment as well as increasing societal challenges, an innovative solution and social entrepreneurship could be it. SEs can generate direct and indirect employment, especially among youth. This is the case in all MPCs, a common factor between them being youth's dominant involvement in solving social problems through innovation and technology. A sign of potential is the very fact that the clear majority of SEs in Egypt are founded and led by youth (Abdou and El Ebrashi, 2015: 39).

In addition to the government, international actors and local supporters will have an important role to play—albeit a yet unknown one. As mentioned, much concerning the work of SEs in Egypt needs to be further investigated: how do SEs register for legal operations? What challenges impede their work at the (1) ideation, (2) startup, and (3) growth phases? What kinds of relationship with government do SEs have? What potential partnerships with public and private sector actors could be beneficial for solving social problems and creating inclusive growth? and what do SEs themselves think ought to be the role of donors, international organizations, the government, and the private sector?

This study answers these and other questions through, first, ‘mapping’, and then, analyzing the social enterprise ecosystem in Egypt at the micro, meso, and macro levels. Desk research and expert analysis are accompanied by field research in the form of focus group discussions and workshops convened in Cairo with key representatives of social enterprises and Social Enterprise Support Organizations (SESOs) conducted in March 2019 by SEKEM Development Foundation.

1.2 Concepts, Definitions and Measurements

To avoid contributing to the already existing confusion surrounding general terms such as social entrepreneurship, start-ups, and MSMEs, this section defines what is to be understood throughout this report by the following terms:

- **Conventional Entrepreneurship** is understood as the risk-prone activity of leveraging innovation and modern business models or technology to set up a new business either with the help of investors and/or incubators or through otherwise means
- **Social Entrepreneurship** is the application of the entrepreneurial principles of risk, innovation, and collaboration toward a social, not commercial, goal. The main difference lies in that profit is not the ultimate aim, but rather a means to ensure the sustainability of a solution to any one or number of social problems that could face a community of people
- **Ideation Phase** (SE maturity cycle) describes a prospective enterprise, yet unregistered and lacking necessary resources, but with the ability to demonstrate the innovative elements of a core idea, the expected outcomes, and the overall merit of the project. Typically, this is done thorough business plans and analyses that attract potential investors and creditors
- **Start-up Phase** (SE maturity cycle) are newly established enterprise that have fulfilled the legal and technical requirments necessary to begin operations. The start-up phase carries the most risk of failure, as resources have already been invested in an ‘idea’ that has not yet been market tested. Therefore, startups (in Egypt) are often seen as risky investments
- **Growth Phase** (SE maturity cycle) referes to the point when an organization establishes a succesful pattern of providing a product or service in an operationally and financially sustainable manner, achieving or begginig to achieve predefined goals and objectives. Although impossible to standardize, this point is determined between 2-5 years into the life of an enterprise

- For the sake of conformity, this report subscribes to the The Central Bank of Egypt’s descriptive definition of MSMEs. The Bank defines the different categories of MSMEs based on 1st year paid capital, number of employees, and Businesses Size (Revenues and sales), as follows:

Table 1- MSME Definition in Egypt (CBE Data)

| | New Enterprises | | Existing Enterprises | |
|---------------------------|---|---------------------|---|---------------------|
| | Paid Capital (First Year) | Number of Employees | Businesses Size (Revenues, Sales) | Number of Employees |
| Micro Enterprises | Less than 50,000 EGP (\$2,850) | <10 employees | Less than 1,000,000 (\$57,000) | <10 employees |
| Small Enterprises | 50,000-5,000,000 (\$2,850-\$285,000) (Industrial Enterprises) 50,000-3,000,000 (\$2,850-\$171,000) (non-Industrial Enterprises) | <200 employees | 1,000,000-50,000,000 (\$57,000-\$2,850,000) | <200 employees |
| Medium Enterprises | 5,000,000-10,000,000 (\$285,000-\$570,000) (Industrial Enterprises) 3,000,000-5,000,000 (\$171,000-\$285,000) (non-Industrial Enterprises) | <200 employees | 50,000,000-200,000,000 (\$2,850,000-\$11,400,000) | <200 employees |

2. BACKGROUND STUDY

Over the past few years, Egypt has drawn down foreign exchange reserves and the Egyptian economy suffers from several crises that threaten the coherences of the nation including:

- High Unemployment ratio, mainly among youth and women;
- National tendency to emigration, especially from the most talented and skilled Egyptians;
- Reduction in remittance income;
- Manufacturing sector is still underperforming and the country still lags behind key regional and global competition;
- Uncompetitive market structures, uncertainty regarding government investment/industrial policies, shortage of skilled taskforces;
- Low levels of productivity and relatively high levels of informality within the MSMEs sector where over 80% of Egyptian enterprises are informal.

Since 2000, Entrepreneurship has been one of the flourishing sectors, globally, with a significant rise in start-ups, but with limited survival rates, especially in developing countries. While most successful start-ups and funds are found in the ICT sector, sustainable and social entrepreneurship is suffering from significant neglect. In order to survive and grow, SEs, particularly those led by youth and women, need continued financial and technical support, strong business models, and reliable support organizations (Radwan, 2017).

Egypt's entrepreneurship ecosystem has expanded along several dimensions:

- with the launching of several venture capital (VC) funds and a positive flow of investments in technology startups (mainly ICT), entrepreneurial initiatives have become more visible;
- Egypt now has a wide innovation support structure to Micro, Small and Medium Enterprises (MSMEs) that was largely built on the 2005 industrial development strategy, which aimed at empowering the innovation capacity of enterprises and enhancing the coordination among several stakeholders (Hassan and Radwan, 2019);
- Egypt embarked on a bold economic reform program, which included new legislative measures. Reform of the macroeconomy is key to encouraging and attracting more entrepreneurs

and businesses to Egypt. Doing business 2018 reports incremental progress in reducing the “time-to-start” new business in Egypt, which is partly resulting from the recent reform strategy by the general authority of financial investment in Egypt in cooperation with the industrial development agency and the chambers of commerce;

- Improvements in SME development and the social innovation ecosystem are rooted in a number of new initiatives, legislative measures, improved policies and the establishment of new structures including the new Micro, Small, and Medium Enterprise Development Agency (MSMEDA), which is allocated a significant budget. MSMEDA offered in 2017, 215 million Egyptian pounds (approximately 11 million Euros) to finance 14,000 small and micro-projects, enabling the creation of 19,000 jobs, while providing 24 million Egyptian Pounds as grants to community development programs. The Social Fund for Development (SFD), the major institution supporting social enterprises, has been merged with MSMEDA to boost its structure in a way to reduce fragmentation within the public sector (Radwan, 2017).

2.1 Strategic and Political Interventions at the National Level

Several national strategies and policies have been recently restructured within the national economic reform effort in Egypt. Some of these strategies set very ambitious goals. The Ministry of trade and Industry Strategy 2016-2020 aims to provide 3 million decent and productive job opportunities by 2020 while increasing the annual industrial growth rate to 8%. Egypt’s sustainable development strategy, “Egypt Vision 2030 for Sustainable Development,” aims to place Egypt among the top 40 countries worldwide in the field of innovation and the quality of scientific research institutions, in addition to the retention of innovative talents and capabilities. This strategy also envisions Egypt being among the top 20 countries for the number of patents per year (Radwan, 2018). The fifth pillar of the strategy has further indicated ambitious measures to support the role of civil society including building capacities, achieving empowerment, and providing opportunities for social mobility towards development. The Knowledge and Innovation pillar is an integral pillar for the Egypt 2030 strategy and was positioned to stimulate social and economic development, and to contribute to the national economic reform effort.

Policies are implemented through a package of legislative, procedural and institutional measures (Khorshid and Rezk, 2019). Egypt’s new law on incentives of technology and innovation was issued on the 21st April 2018, and sets new incentive packages to innovators and research institutions. The

law also tackled several bureaucratic hurdles that innovative projects faced when creating new business structures, as well as providing exemptions from taxation and tariffs including the value added tax on equipment and materials imported from abroad. For the first time in Egypt, the new law allowed research institutions and universities to create spinoff companies.

The work of civil society is currently regulated under law number 84 of year 2002 (84/2002) but a new more restrictive NGO Law was passed by the Parliament in 2016. It was ratified by the President on 24 May 2017 but still awaits its bylaws to be adopted. The new law, even though not yet enforced, represents a drastic step backwards since government authorizations are required for all normal civic activities. However, moves are underway to amend Egypt's controversial NGO law. Furthermore, over the past year new laws and decrees for investments, bankruptcy, and industrial licensing were enacted. The country witnessed a proliferation of entrepreneurship support programs as well as startup incubators and accelerators, including at universities. Ambitious reform programs for the educational sector were enacted, including basic and vocational education. The new investment law and its executive regulations addressed many legislative barriers together with the law of restructuring and reconciliation, bankruptcy and postponement of financing and privatization, and the amendments of the law of companies and the capital market and their executive regulations. All these reforms, activities and initiatives are contributing to a positive momentum in the entrepreneurship ecosystem and have spillover effects to social entrepreneurship in Egypt (Pérez, 2018).

2. 2 Challenges and Potentials: Demographic Economics

Despite the reform momentum, economic growth seemed insufficient and unemployment is alarmingly high among youth (40%) and women (24%). Informal employment and underemployment are widespread (Abdelbary and Benhin, 2018). Inflation has been thriving due to the currency's substantial depreciations linked to the 2016 International Monetary Fund loan agreement and Egypt's economic reform program, which introduced subsidy cuts and tax increases. Socioeconomic hardship especially among the most vulnerable have been on the rise. The Egyptian economy was adversely affected by the political turmoil in 2011 where all macroeconomic indicators were negatively impacted. A significant drop took place in economic growth rates, from an average of 5% during the five years preceding 2011 to about 2% during the four years following 2011 (Malik and Awadallah, 2013).

While innovation policies are designed, and agreed at the national levels, effective implementation of strategies is a clear challenge where the lack of effective coordination among different stakeholders is persistent and national strategies are usually not binding to national actors. The negative aspects of the pivotal role of local authorities are also related to their spatial proximity and the risk of developing nepotism and clientelism (Radwan, 2018).

The potential for social innovation remains largely untapped. Egypt is considered as one of the largest countries in the Middle East and Africa with working SMEs in terms of their density and number (Aboelmaged, 2018). There are approximately 2.46 million SMEs operating in the trade, services, manufacturing, and construction sectors in Egypt that comprise more than 95% of the private sector and contribute about 80% of the GDP of the country (Radwan, 2017). They also accommodate over 6.3 million workers that account for approximately 70% of the formal labor force. Trading appears to be the most important sector among small enterprises as it accounts for 57%, whereas transformational industries represent 16% of the activities, with the remaining activities representing 27%. This composition varies if we look at medium enterprises, where transformational industries account for 27% of the activities of SMEs; trading represents 22%; and other activities comprise 51%. From the ownership perspective, about 60% of Egyptian SMEs are owned and run by one individual (Rezk et al., 2016).

The National Innovation survey, addressing 3000 enterprises and conducted on a biennial basis by the Academy of Scientific Research and Technology in Egypt, identified a group of challenges facing micro and small enterprises in Egypt, including competition policies, bureaucratic regulations of both registration of new companies and the closure of companies, weak enforcement of intellectual property rights including trade-marks, patents and utility models. Moreover, an analytical review of Egypt's innovation ecosystem (Radwan, 2017) indicated that the informal business sector, which contributes 30-40% of the gross domestic product, together with the investors' protection law, are among the most important priority areas at the Egyptian innovation ecosystem. It further indicated that Egypt has less supportive taxation measurements and investors' protection when compared to other countries in the Middle East region.

2.3 Youth Bulge: a Force for a Change

Young people between the ages of 18-29 in Egypt constitute almost a quarter of the population, 48.5% of whom are members of the workforce and 26.7% are unemployed. A staggering 52.23% of the population is under the age of 25 (CAPMAS 2018). Moreover, the latest report of UNDP, entitled “Arab Development Challenges,” speculated that youth between 15-25 years old will increase by at least 7 million in 2025 in the Arab region where countries like Yemen, Palestine, Algeria and Egypt will have the highest national population of youth under 25 years old.

From one prospective this demographic pattern shows a great potential for wide spectrum development, and from another prospective it shows also the pressure intensity on resources in terms of education, social services, and job creation. According to the latest report of the United Nation’s Arab Human Development this demographic pattern will last, at least, for the following two or three decades. The report has pinpointed the main causes of human development weaknesses, which include knowledge generation and utilization, inequalities and absence of societal and women’s freedom. Empirical evidence has shown that economic inequality across Arab countries has a significant effect on state of economic competitiveness (Bibi and Nabli, 2009). Indeed, North African countries, have the highest percentage of economic inequalities among many developing countries (Abdelbary and Benhin, 2018). As economic inequalities vary among countries and within the same country, the advancement of “social enterprises” varies. This topic has been argued in recent research studies where issues including weak enforcement of intellectual property rights and stagnant economic growth, the political situation and the ineffective implementation and misalignment of national policies could exacerbate the adverse effects.

Currently, there are more than 2.7 million Egyptian abroad, as estimated by the International Organization for Migration (IOM) in 2017. In some ways, this figure is underestimated. For example, “between 40 and 50% of the academics and professionals” in countries like “Egypt, Jordan, and all the Maghreb countries” have been ‘drained’ (Radwan and Sakr, 2018). Moreover, 15% of Egyptian youth planned to migrate after the 2011 revolution, as reported by the IOM country report in 2014. This figure increased to 25% for highly educated workers, 28% of youth at 24 years old, and to 24% for those already employed (CAPMAS, 2018). However, the fact that in the aftermath of the 1st and 2nd Uprisings, industry across the board suffered. Tourism alone, which is estimated to employ 1 in 7 Egyptians, plummeted 35% the year after the first revolution in 2011. It is worth mentioning also

that long-term mobility of Egyptian young professionals to Gulf countries has higher growth rate than those to western and central European countries. These findings are aligned with the “Arab Human Development report in 2014” which estimated a high brain drain growth rate in many Arab countries by 2020.

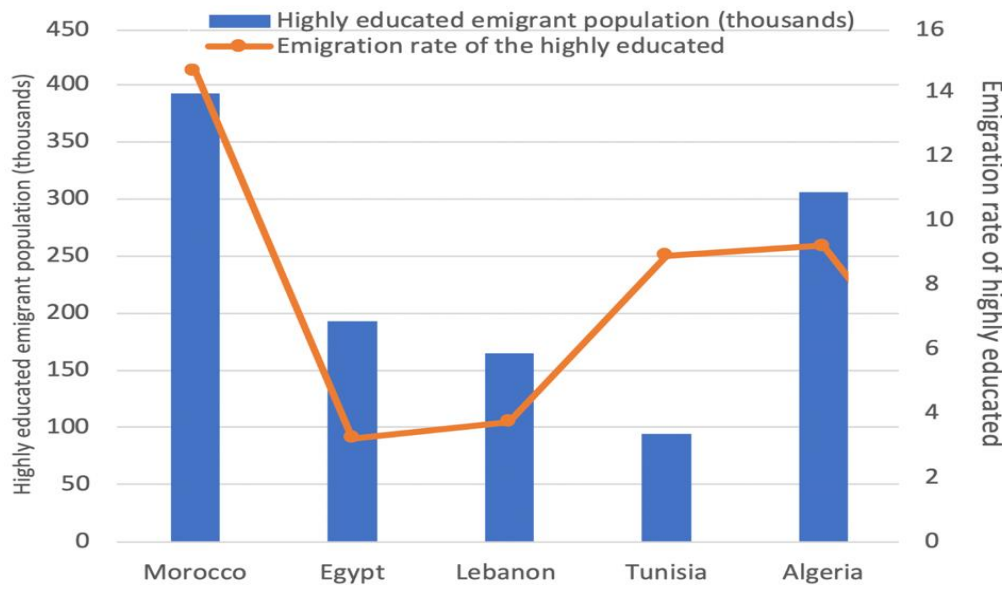


Figure 1: Highly Educated Emigrant Population and Emigration Rate in MENA countries (data compiled by the authors from OECD (2015) and Work Bank (2014) data).

All these figures and numbers show how innovative and active the Egyptian youth are. The direction of this potential toward businesses and self-employment would reflect significantly not only on the quality of life of the business founders, but also at a national level as well.

2. 4 Innovation and Business Enabling in Egypt

During the past 5 years, a large number of initiatives to support social entrepreneurship in Egypt were implemented. The number of intermediaries and innovation support organizations has been increased, including business development centers, which provide technical, legal and financial support. The Social Innovation Hub that has been launched in 2016 at the National Council for Women in Cairo and aims to reach 5,000 young women in Egypt to bridge the gap between public education and job market needs, and to foster employment and entrepreneurship opportunities, including social ones, among young women. The Hub was founded by Microsoft in partnership with UNDP. Similarly, the Academy of Scientific of Scientific Research in Egypt announced in 2018 the launching of a social

innovation center for women empowerment with the support of the European Union. Furthermore, the Egyptian Ministry of Investment signed a partnership agreement with the International Finance Cooperation (IFC) in 2018 to support entrepreneurs, boost innovation and drive economic growth in the country (Hassan and Radwan, 2019).

By the beginning of 2016, Egypt's government announced the implementation phase of a mega scale project entitled "Egypt Startup Incubator" with a budget of 10 billion Egyptian pounds (520 Million Euros). The Incubator aims at accelerating economic growth and limiting unemployment. This incubator will be managed by the private sector with 20% of it being state-owned. It will provide funding and services such as coaching and mentoring, feasibility checks and business modelling. The operation model states that 25-40 percent of each generated startup will be owned by the incubator. Several stakeholders have been engaged in this incubator including Misr Elkheir Foundation, the Federation of Egyptian Industries, and the Egyptian Chambers of Commerce in addition to Faisal Islamic bank.

Incubators' partnerships have been proven to offer the opportunity of synergy and of enhancing the quality of services. The Partnership between the GESR Incubator at Misr Elkheir Foundation and the Academy of Scientific Research and Technology (ASRT) in 2015 serves as an example. The TIEC (Technology Innovation & Entrepreneurship Center) incubator, established by the Ministry of Communication and Information Technology in Egypt, has also several partnership initiatives to support technology entrepreneurship including a partnership to establish "Plug And Play", a Silicon Valley incubator in Egypt. More examples are clear from the Partnership of Sustaincubators and SHEKRA crowdfunding and the partnership of ASRT incubator and Helwan University. In this respect, an important new initiative is currently being developed by the Academy of Scientific Research and Technology to establish a national network of incubators with the aim of sharing best practices and stimulating synergies. The challenges facing incubators are largely the same managerial, financial and technological challenges also facing Egyptian startups (Radwan, 2017).

Similar to the incubators, venture capital and associations in Egypt have faced several stages of growth and development, according to a survey performed by ASRT through the NETKITE project, funded by the European Commission, under the ENPI CBCMED programme (NETKITE 2016). Since 2005, 25 International Venture Capital Firms were fully functioning in Egypt by focusing on early-

stage startup companies and SMEs. The common focused areas of these firms are electronics, internet technology, biotechnology, health related applications and energy (Hassan and Radwan, 2019). Until 2010, Egyptian venture capital firms that focus only on technological startup companies were not significantly large in number compared to other existing international venture capital firms that operate in Egypt. According to Egypt's Ministry of Finance report in 2005, only 8 Egyptian VC firms reported their activities. In the past 5 years (2014-2019), 16 new Egyptian venture capital firms were active in Egypt with major interest in startups (Radwan, 2017). In general, most of these VCs are not offering only equity finance or angel financial services but also mentoring, counselling and access to networks.

It is worth mentioning that venture capital firms that focus on technological areas were relatively active in Egypt since 1995. Moreover, the first venture capital committee at the Ministry of finance was established early in 2000s, which played an important role in recommending structural changes to foster the venture capital industry in Egypt. However, this committee suspended its operations following the Uprising in 2011. One of the first Egyptian venture capital firms is Ahly-Development and Investment (ADI), which was founded in 1995 with a current authorized capital of 500 million Egyptian Pounds and paid in capital of 200 million. ADI is still continuing its functions and in 2014, ADI through its strategic ally Cairo Capital Investment, won a bid for managing the BEDAYA fund, a 134-million-pound fund for SMEs (see section 3.1.1.3 (B)).

Similar to ADI, the Egyptians Abroad for Investment & Development Company functions as an VC firm. The company uses a business model of protecting and utilizing the savings of Egyptian expatriates. Although the company was founded in 1984 with the contribution of 4 Egyptian banks, its VC activities in the area of technology were reported in 1997 after its privatization process. The number of individual shareholders reached about 3100 shareholders; most of them Egyptian expatriates, representing some of the businessmen and Egyptian scientists abroad, and some companies and institutional investors. (Radwan, 2017; Radwan and Sakr, 2018).

Although exit strategies for venture capital investments were not thoroughly studied in Egypt, the process commonly tends towards merging and acquisition than initial public offering, management buyout and liquidation. Despite the limitation of data regarding this matter, initial public offering has not been witnessed as an exit tool in any of the venture capital firms' projects that are publicly

announced in Egypt. Further studies are needed in this regard to validate this finding, mainly in studying the time-to-exit (efficiency impact), cross border investment (international impact), market to book ratio (technical impact), trade and sale (sustainability and reasons for failure).

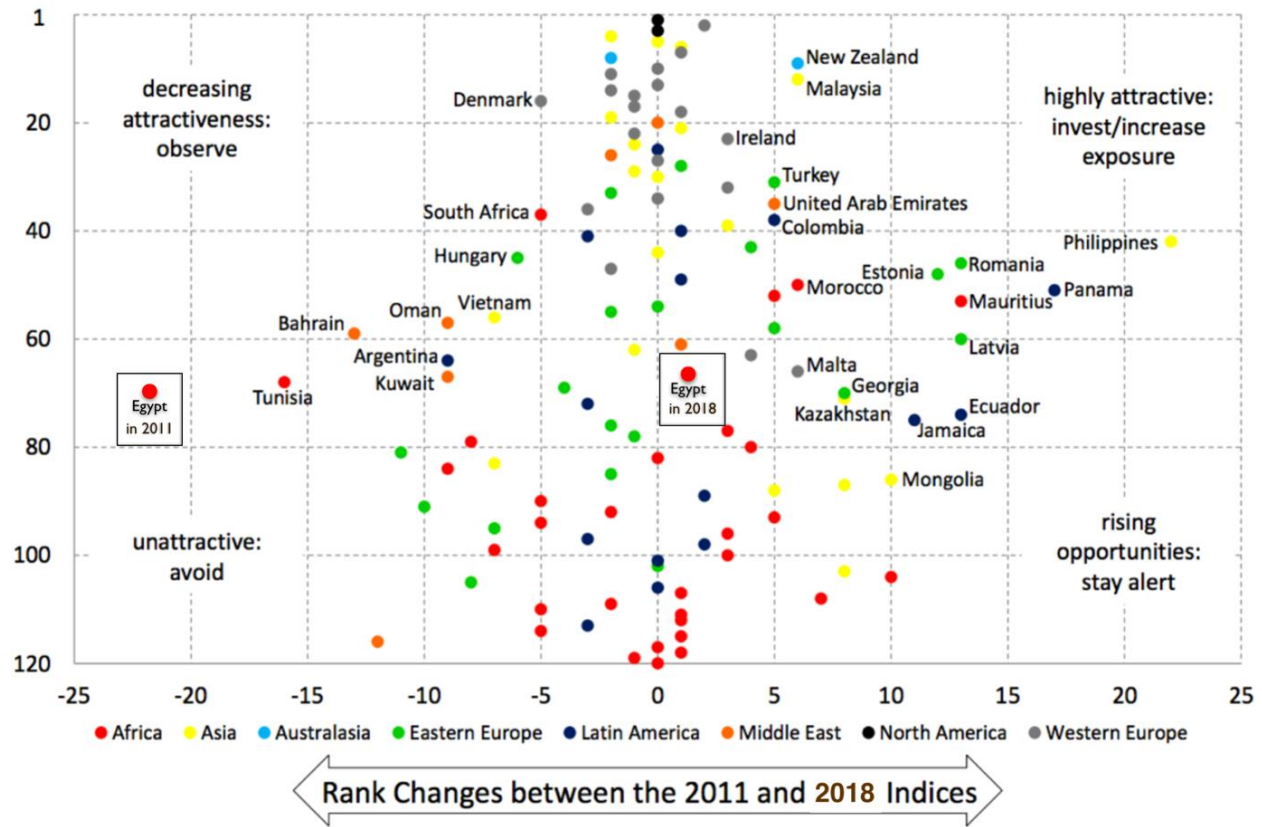


Figure 2: Egypt Rank Changes in VC Attractiveness index (Data compiled by the authors from the 2008, 2011, and 2018 MoF VC indices).

The above figure is derived from the findings of 2008, 2011 and 2018 indices of venture capital and private equity attractiveness with the aim of assessing the changes of Egypt’s ranking with the baseline of 2008 index. 2011 is an important reference year for comparative assessment for several countries in the region. This index evaluates attractiveness of VCs based on economic activity, depth of capital market, taxation, investors’ protection and corporate governance, human and social environment, entrepreneurial culture and deal opportunities. In 2008, Egypt was positioned 67 in the list of 120 countries of the global VC ranking index. In 2012, Egypt’s position improved (60), despite political disturbances. The effect of these disturbances was clear in 2014, where Egypt’s rank lapsed to 69. A slight progress was noticed in 2018 for the overall ranking of Egypt (65). The lower left quadrant of the above-mentioned graph shows the countries of high risks and less attractiveness. The following

figure provides more explanations to the points of strengths and weaknesses when compared to Middle East countries. Egypt has similar economic activities and entrepreneurship opportunities as other Neighborhood Countries, however, Egypt has less supportive taxation measurements, investors' protection and capacity building tools as compared to other Middle East countries.

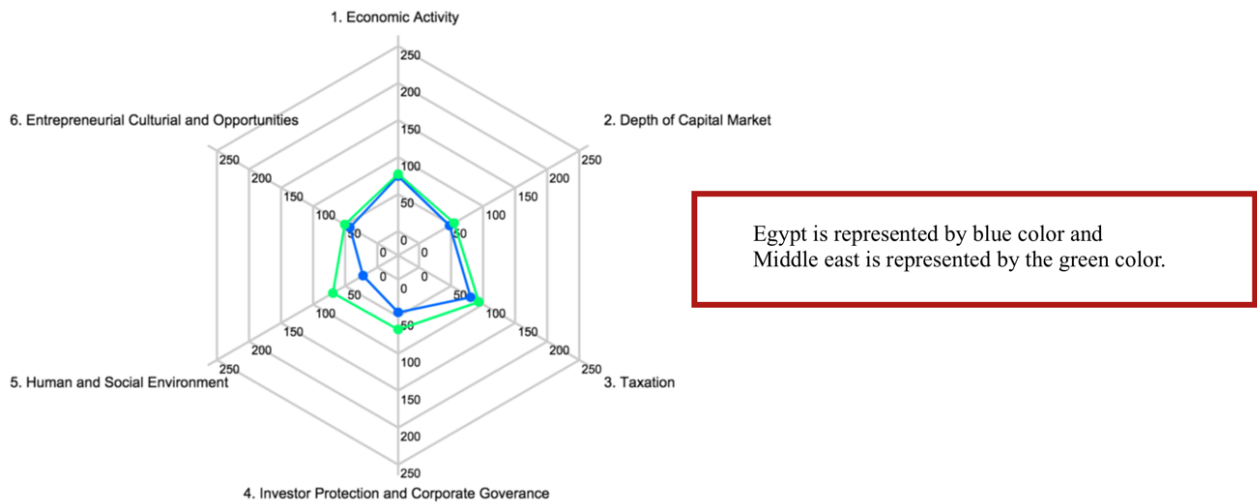


Figure 3: Comparative Assessment of Egypt and other Middle East Countries Based on Economic Activity, Capital Market Depth, Taxation, Investor Protection and Corporate Governance, Human and Social Environment, and Entrepreneurial Cultures

3. MAPPING

3.1 MACRO LEVEL MAP

At the macro (government and policy) level, the social entrepreneurship ecosystem in Egypt is diverse and fragmented. Many ministries implement youth, women, and innovation programs; the central bank has recently begun its involvement in spurring employment (a task not commonly in its remit), and other government authorities are working either with international organizations or separately to implement relevant programs. These efforts and their implementing agencies will be mapped in this section. Particular attention will be paid to initiatives and programs specifically designed for youth, women, and other marginalized peoples, including efforts outside of the Greater Cairo province.

3.1.1 GOVERNMENT: MINISTRIES, PROGRAMS, AND THE CBE

3.1.1.1 Ministry of Higher Education and Scientific Research, Affiliate: Academy of Scientific Research and Technology (ASRT)

ASRT established in 2018 the “Egyptian Innovation Bank” (EIB) which operates virtually through the EIB online platform and physically through the EIB executive arms which are represented by a national network of incubators, a national network of technology transfer offices, a national network of senior business consultants, a national network of clusters, and a national network of funding agencies and venture capitalists. ASRT’s initiatives in supporting the establishment and operation of the EIB received support from EU funded project “TED-PPP.”

The online platform acts as an innovation marketplace augmented with matchmaking tools and aims to stimulate interactions between innovation support organizations and service providers.

Stakeholders and innovation enablers are e-mapped, profiled and indexed in a searchable database in the online platform. The registered entities were classified by region, area of establishment, and sector(s) covered, and labelled with the type of service provided. The full EIB map includes information on 610 existing services provided by 144 registered innovation enablers under 9 service categories, which are access to co-working spaces, administrative and legal support, seed funding, funding and access to finance, crowdfunding and venture capitalists, incubators, training centers, business plan competitions, business development support, and research and technology services. A

separate mapping effort is dedicated to incubators, categorized by sector, place of establishment, incubation capacity, programs, terms, and services. Interactions and registration in the portal are open to the public in its current beta version. As of February 2019, 186 innovations were registered and 13 public-private partnerships and 10 startups were established, involving around 167 stakeholders.

3.1.1.2 Ministry of Communication and Information Technology (MCIT)

The MCIT in Egypt runs an initiative called Egypt Innovate, which connects innovators, including social and conventional entrepreneurs, to courses, incubators and innovation hubs, and to each other. Despite MCIT’s focus on communication and digital innovation, Egypt innovate focuses also on information technologies as an enabling theme to other sectors. Its founding goal could be summarized in terms of stimulating innovation-led national growth in Egypt. Prime amongst the initiative’s contributions to Egypt is *the Egypt Innovate Map*, (<https://egyptinnovate.com/en>) an online and public resource that displays information regarding all stakeholder entities in the innovation ecosystem in Egypt. It is important to note that Egypt Innovate portal together with the Egypt Innovation Bank platform are the only publicly owned online platforms in Egypt that target startups, SMEs, innovation support organizations and entrepreneurs. According to the MCIT, there are 915 entities involved in innovation-led growth in Egypt, in the following makeup:

Table 2: Breakdown of Stakeholders in the Innovation Ecosystem in Egypt (www.egyptinnovate.com/en)

| | | | |
|------------------------------------|------------|---------------------------------|-----|
| Total entities | 915 | | |
| <i>Startups</i> | 561 | <i>Accelerators/ Incubators</i> | 25 |
| <i>Funding/ Investing entities</i> | 37 | <i>Co-Working Space</i> | 133 |
| <i>Research Centers</i> | 14 | <i>Service Providers</i> | 57 |
| <i>Academia</i> | 26 | <i>NGOs</i> | 29 |
| <i>Government</i> | 17 | | |

The Ministry makes available to SEs (because they are members of the above ecosystem) a variety of support services, including ICT courses, published expert interviews, example case studies of success stories in various sectors, innovation toolkits, and other targeted initiatives. The MCIT also hosts an

idea bank, which at the time of writing consisted of around 500 ideas, and a ‘Collaboration and Matchmaking Center,’ to link potential partners.

3.1.1.3 Ministry of Investment and International Cooperation (MIIC)

The MIIC of Egypt runs several programs with great relevance to the SE ecosystem. In particular, three affiliated initiatives of the MIIC stand out: (A) GAFI, (B) the BEDAYA Foundation, and (C) Fekretak Sherketak.

A) GAFI - General Authority for Investment and Free Zones

In the original text description of GAFI belonging to the MIIC, “GAFI is an affiliate of the Ministry of Investment and the principal government body regulating and facilitating investment in Egypt” (www.gafi.gov.eg). GAFI’s work can be broken down into: promoting sectors with investment potential, creating investment services, enhancing opportunities for innovation, and institutional support for entrepreneurship. Limited Liability Corporations (LLC), for example, have recently seen legal changes relevant to company formation. Digital files have replaced physical ones, and the process was thus shortened to one day according to GAFI. Since many companies in Egypt double as social enterprises, an effect on the SE ecosystem has been seen. Doing Business 2019 shows Egypt improving in the ‘starting a business’ indicator, but discrepancies between male and female still exist, with women facing greater difficulties than men (Doing Business – Egypt 2019).

B) Bedaya

Bedaya was established by GAFI in 2009 to act as a SME entrepreneurial center and fund. The center offers access to different financial and non-financial support schemes in exchange for equity. Prospective fund recipients must meet minimum net-worth requirements to be eligible for funding, except for environmental projects, which are exempt from this rule. Renewable energy ventures have received special attention under Bedaya. The duration of support under bedaya is 5 years, after which the supported enterprise is usually listed on the Nile Stock Exchange (NILEX). Examples of Bedaya-funded projects that are currently succeeding include EGY GLOVE and BznsBuilder.

C) Fekretak Sherketak

Meaning, “your idea your company,” *fekretak sherketak* is a nationwide initiative to enhance the entrepreneurship ecosystem and provide support to Egypt’s entrepreneurs. The initiative established

in September of 2017, Falak, a startup accelerator. Entrepreneurs can submit ideas in any phase of conception, from idea phase to having a prototype. In the original text belonging to the MIIC: “[t]he Falak program offers funding, mentorship, training, and a wide variety of perks and benefits, with the aim of providing entrepreneurs the necessary tools, resources, and contacts to develop and grow their businesses” (www.sherketak.com).

3.1.1.4 Central Bank of Egypt (CBE) Affiliate: Nilepreneurs رواد النيل

Typically, the Central Bank of Egypt deals with monetary policy and currency matters, but since at least 2008 the Bank has taken a role in spurring (youth) employment—including through supporting social and business entrepreneurship. The Bank issued a decision in 2008 to exempt the Micro, Small and Medium Enterprises (MSME) loan portfolio from mandatory reserve ratios, effectively making more funds available to MSMEs. In 2016, two hundred billion Egyptian Pounds (10 billion Euros) were pledged as loans to or investments in MSMEs. 33,000 new companies have been created so far, which include social enterprises (and around 150b EGP remain to be spent in coming years). Egypt’s central bank launched recently in 2019 a 1 billion Egyptian pound (almost 50 million Euros) innovation support fund, which aims to invest in innovative projects in Egypt. It also provides interest-free loans to youth-led innovative projects.

Nilepreneurs is an example of CBE’s investments. It is a national initiative to help entrepreneurs capitalize on opportunities by providing funding, support, courses, introductions to relevant networks, and otherwise aid to would-be entrepreneurs in the fields of technology, creative design, manufacturing, and engineering. The initiative is implemented by the Nile University, but funded by the Central Bank of Egypt.

Nilepreneurs hosts different incubation ‘challenges’, each thematically concentrated on one international innovation trend or otherwise with proven market success. Most recently the initiative incubated business ideas and prototypes related to ‘multifunctional furniture’, allowing businesses with related ideas or prototypes to ‘take the challenge’ for potential funding and other types of support. In addition to (1) the incubation challenges, Nilepreneurs has (2) an ‘awareness program’ that benefits all entrepreneurs in Egypt with information at all stages of maturity, (3) an ‘enterprise development’ center to directly help businesses grow to the next level of maturity, and (4) a ‘design house’ effort,

which helps entrepreneurs translate ideas into detailed specifications, prototypes, and even finished products ready for the market. All services are open to social and conventional enterprises alike.

3.1.1.5 Micro, Small, and Medium Enterprise Development Authority (MSMEDA)

MSMEDA, previously known as the Social Fund for Development, is an autonomous development and poverty-alleviation agency, established in 1991 with the support of the United Nations Development Programme (UNDP). MSMEDA allocated EGP 4.8 billion to support several projects in 2017 which represents a 25 percent increase compared to 2016. MSMEDA has expanded the provision of non-financial services aiming to help project owners develop their products. MSMEDA provides also support to NGOs and has recently established an agreement with 14 NGOs in different governorates, worth EGP 14 million to finance microenterprises. This deal is expected to fund approximately **2,790 microenterprises, with at least 25% of the total value of those contracts being allocated to women-owned enterprises.**

3.1.2 LEGAL, LEGISLATIVE, AND INSTITUTIONAL FRAMEWORK

3.1.2.1 Registration for Formal Activity

‘Social Enterprise’ is not an established legal format in Egypt. SEs are registered as other available entities. Each entity registers and reports to a different ministry or otherwise responsible authority, as follows:

Table 3: SE ‘Type’ and Responsible Government Authority

| Entity Type | Ministry or Responsible Authority |
|----------------------|---|
| Registered Companies | Ministry of Investment and International Cooperation - MIIC |
| NGOs | Ministry of Social Solidarity - MOSS |
| Incubated projects | TIEC, GESR (Misr al-Kheir), AUC venture capital, Nilepreneurs. ..etc. |
| Youth initiatives | Generally informal |
| Women’s initiatives | Generally informal |

According to studies, a specific SE format would enable greater government support for SEs, which success stories show is needed. Registration benefits, access to financiers, special tariff rights, and better placement within Global Value Chains (GVCs) are among the benefits that could be expected from a SE legal format in Egypt, according to studies and other country’s experiences (Abdou and El Ebrashi, 2015: 47).

3.1.2.2 Taxation

There are no provisions to treat social enterprises any differently during ideation and startup phases as concerns tax and other monetary obligations related to conducting business. Such schemes exist elsewhere, and in most advanced economies with a thriving social entrepreneurship sector. Furthermore, Abdou and El Ebrashi (2015) find that social enterprises working in film and movie distribution such as Axeer and ‘Alee Sotek’ (meaning, Raise Your Voice) face additional financial obligations related to media content distribution. The authors show that this is the case even for enterprises distributing or viewing free films with important social messages (Ibid).

According to an EU project implemented by AECOM—namely, EU Synthesis Report (2016)—a main drawback to registering SEs as companies in the MPCs has to do with additional taxes incurred in the form of income, value-added, and other taxes (AECOM, 2016: 62). SEs operating as companies are also susceptible to audits and legal expenses, as well as registration costs and associated requirements such as renting an office space. This concern was voiced by SE member representatives during the Needs Assessment Workshop and focus group discussions, particularly phase I (Ideation) SEs (MedUp and Hassanein et al., 2019: 15).

Doing Business 2019, a World Bank report that measures various indicators for the business climate in a country at various levels, ranks Egypt 159/190 countries in ‘paying taxes. The score is based on tax amounts, the method and frequency of filing and paying taxes, the time required to comply with tax filing and payment, as well as a post-filing index that measures the time required to comply with and resolve refunds and corrections. According to the 2019 report, 392 hours per year are devoted to dealing with taxes in Egypt by an average medium-sized company (See [Doing Business – Egypt, 2019](#)) for a full description of the case study assumptions). Comparatively, the MENA average is half of that (196 hours); the OECD high income countries’ average is 160 hours; and the best regulatory performance is Singapore with 49 hours per year spent on taxes for the same case study assumptions. The report also highlights the high frequency of audits in Egypt, to which SEs registered as companies are subject.

3.1.2.3 Financial Liberty and the 2016 NGO Law

According to current Egyptian legislation, donor funding, foreign funding, and other forms of non-earned income must be first approved by the Ministry of Social Solidarity. This particularly impacts NGOs and thus social enterprises registered as NGOs. Registered companies are much less affected as income is restricted from similar inspection. Private Sector companies are also more capable, if less needing, of accepting and using donor money without red tape.

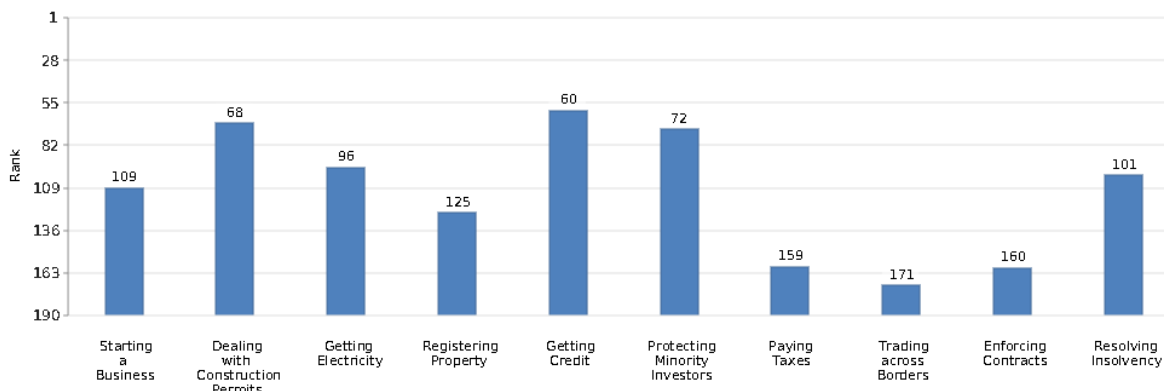
Related to the above and resultant of it is the 2016 NGOs law, sometimes referred to as CSO law or simply ‘new law’ in appropriate contexts. The law directly affects the Egyptian NGOs, and entities that works under the Ministry of Social Solidarity. The new legislation requires organizations to solicit direct approval for using funding, especially foreign funds; it imposes fees on foreign organizations to start operations in Egypt; it obliges many non-NGOs to register as NGOs with the MoSS (Ministry of Social Solidarity); and disobeying the law incurs criminal instead of civil (previously) charges.

The government argued the 2016 NGO law is necessary to reestablish peace and stability in Egypt, which is a prime concern in the recent decade. However, it has been widely criticized for restricting many actions and adding numerous bureaucratic steps between NGOs and their beneficiaries. This law is of concern here due to its impact on social enterprises, which often rely on funds and foreign assistance. The issue of funding is of particular importance to social enterprises, which were directly affected by this law since 2016.

3.1.2.4 Contract Enforcement and Intellectual Property Rights

According to the Doing Business 2019 Report (see figure below for summary), Egypt’s main challenges for doing business are related to trading across borders (rank: 171/190), paying taxes (rank: 159/190), and enforcing contracts (rank: 160/190). The latter ranking is determined by sorting the scores of the various indicators used for ‘ease of enforcing contracts’. The indicators include numerous measures for time and cost (% of claim value), as well as a quality of judicial processes index.

Rankings on Doing Business topics - Egypt, Arab Rep.



Ease of Doing Business Score on Doing Business topics - Egypt, Arab Rep.

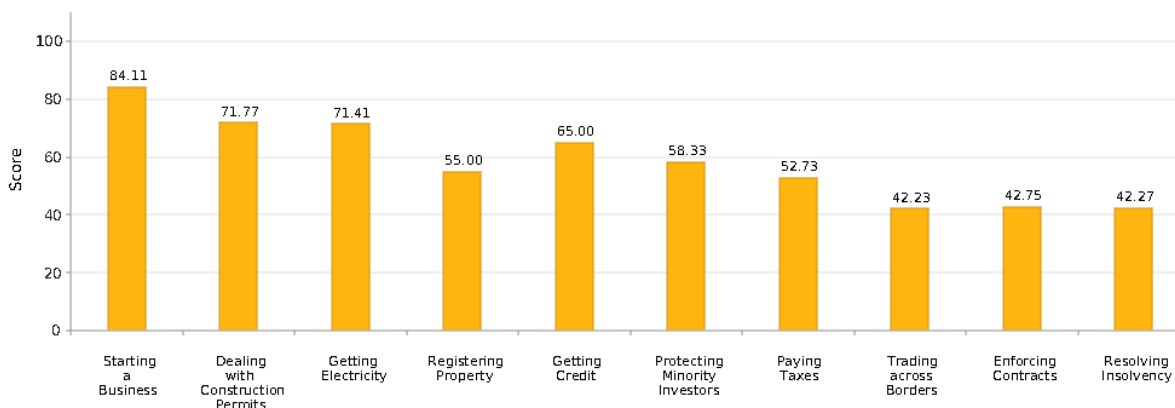


Figure 4: Doing Business Report 2019, Arab Rep. of Egypt

Historically, Egypt was one of the contributors of the UN Code of Conduct on technology transfer which was published in 1970. The code of conduct added another important dimension for technology transfer tools in developing countries and promoted foreign direct investments towards technological development. Egypt set different measures aligned with TRIPS agreement since late 1990s, and the Egyptian Intellectual property rights law came into force in June 2002 (law 82 of 2002). The enforcement of Egypt’s IPR law is challenged by many factors including the unavailability of electronic registry system for most of the IP protection categories including Patents and Utility models in addition to the large informal business sector and the insufficient training for judiciary and other enforcement agencies in IPR issues. In addition to law enforcement, access to knowledge has been also recognized as another major obstacle. Existing intellectual properties such as patents, utility models, copyrights and industrial designs shall be considered as an input for further R&D and

technology development. However, the shortage of “access-to-knowledge” breaks up the routine cycle of innovation activities and increases the opportunity costs for entrepreneurs and innovators.

Egypt’s International Property Rights Index (IPRI) score increased in 2018 by 15%. Egypt’s current global rank is 77 (out of 125), and its regional rank is 11 (out of the 15 MENA countries scored in the index). Egypt’s global and regional positions mean there is work yet to be done in the area of property rights, and a strong basis to build off.

3.1.2.5 Policy Dialogue

There is little to no policy dialogue on social entrepreneurship in Egypt.

The situation is the same across all MPCs apart from Tunisia where “there is a start of a policy dialogue” (AECOM, 2016: 59). However, this should not be taken to mean there is not a potential for favorable reforms related to social enterprises along the topics mapped above. Policy dialogues are not common practice in Egypt (Ibid). Possible **alternative routes for SEs and advocates among civil society to bring issues to the attention of government are the programs presented in section 3.1.1.** This can be done through the feedback systems of initiatives such as Egypt Innovation Bank, Fekretek Sherketak, and Nilepreneurs, but remains, however, an indirect and short-term solution.

3.2 MESO LEVEL MAP

The MESO level of the SE ecosystem is comprised of support organizations, sometimes referred to as Social Enterprise Support Organizations (SESOs) or Intermediary Support Organizations (ISOs). This report will use the former phrasing to describe any organization that supports the provision of social services by an enterprise. Like the SEs they aim to support, SESOs in Egypt take many legal formats and working modalities. Some universities and media outlets consider part of their work as supporting social enterprises, while other organizations are fully devoted to the cause.

SESOs are a growing trend in Egypt, currently, with more financial and non-financial service providers joining the established ones such as SEKEM Development Foundation, which has already been studied extensively. Relatively, new SESOs remain wanting for investigation, especially since (as the next section will show) there is a general lack of impact assessment and M&E in the whole ecosystem of SEs in Egypt. This makes it the right time to conduct a mapping and analysis of the SESO ecosystem in Egypt, to support the organic trend taking hold, and ultimately help achieve the goal of a thriving SE sector.

3.2.1 Prominent SESOs

3.2.1.1 Ashoka Arab World (AAW)

Ashoka is the largest network of social entrepreneurs worldwide. It was founded in 1981, and AAW was founded in 2003, with head offices in Cairo, Egypt. AAW has identified several thousand SEs and potential social entrepreneurs in 11 Arab countries (at the time of writing). One hundred plus social entrepreneurs in the Arab world were elected to be Ashoka fellows, of which 55 are Egyptian or working in Egypt. Fellows receive life-long benefits that include funding and access to successful case studies and otherwise evidence-based learning.

The Ashoka Fellowship annually admits Egyptian (and otherwise) social entrepreneurs through a rigorous selection process. Selected SEs are introduced to “a life-long fellowship, where every member is committed to championing new patterns of social good” (www.ashoka.org/en-EG/country/egypt). Ashoka maintains a strong ownership culture, wherein Fellows are encouraged to embody the Ashoka motto: Everyone a Changemaker (<https://www.ashoka.org/en/program/ashoka-changemakers>). Ashoka provides all forms of support, financial, leadership, management, networking, and otherwise.

3.2.1.2 Flat6Labs

Initially an accelerator for regional business entrepreneurs, Flat6Labs quickly started to admit social entrepreneurs to its various challenges for seed funding, education, training, coaching, and mentorship. Based on the experiences of the SEs that participated in the March 2019 FDG associated with this report, Flat6Labs is not an appropriate phase I solution, as phase II analyses and proofs are often needed.

In 2011, Cairo became the headquarters of the first Flat6Labs office in the MENA region, and since then over 200 entrepreneurs have been helped, with over 50% of supplicants receiving funding. Further funding is facilitated by Flat6Labs, but not given directly. Applicants accepted in phase I are accelerated in phase II through the various support services outlined above. Phase III consists of a demo day, where Flat6Labs partner entrepreneurs pitch their now-company to potential investors to secure more funding and thrive as a social enterprise.

3.2.1.3 Injaz Egypt

Injaz is a worldwide network and effort. The Egypt office was founded in 2003, and has since provided experiential learning in financial literacy, work readiness, and entrepreneurship to thousands of students and hundreds of schools and universities (see below). Injaz Egypt is part of the Junior Advancement (JA) network, the largest economic education network and organization worldwide.

Like Flat6Labs, Injaz initially also focused on conventional entrepreneurship but started to adopt the social variant as well, recognizing its important potential to promote entrepreneurship and employment among Egypt's unemployed youth. At the time of writing, Injaz had (since 2003) impacted, according to their own self-reporting, 668,000 students, 330 public schools, 32 universities, 50 start-ups, and recruited 5000 volunteers (www.injaz-egypt.org).

Injaz offers different programs and tracks:

- Work Readiness Programs: 36,883 students reached in 2016-2017
- Financial Literacy programs: 18,061 students reached in 2016-2017
- The Entrepreneurship track: 30,134 students reached in 2016-2017 (Ibid).

In addition to these programs, InjazEgypt also implements an intensive incubation program called **startUpEgypt**. The program issued a call for applications, which are later vetted for the best 30 teams, which submit a full proposal of their ideas for validation. Ideas are then show cased and incubated. The programs ends with a trip to the US to display the idea abroad at relevant venues. StartUpEgypt is open to any team of 2-5 Egyptian citizens, aged 21-30, with no previous investment in the pitched idea. Selected teams receive up to 200,000 EGP (10,000 Euros), exposure, which can secure funding later, and top grade mentors, which can help overcome obstacles and seize opportunities.

3.2.1.4 IceCairo (a Social Enterprise for Social Enterprises)

IceCairo is is a green-tech innovation hub for youth job creation. Unlike previous SESOs IceCairo focused on social enterprises from the start. The founder and manager has founded multiple social enterprises, and the team is expressly passionate about the transformative potential of SEs in Egypt.

IceCairo is seen by the team as both a support provider and a SE in itself. The website of IceCairo is one of the few that identify the organization as a “social enterprise.” The social problems tackled are (youth) unemployment, lack of funding, lack of organizational and management support. Solutions to these problems are provided in the form of funding, prototyping machinery, 3D printers, computers (iMacs), physical and online working hubs, and ultimately project incubation or sale.

IceCairo created Fablab, a brainstorming and building space for inventors and “super-geeks” (<http://www.icecairo.com/fablab>). It provides access to the basics such as a fully equipped co-working space with some luxuries even, as well as advanced prototyping and building machinery such as laser cutters, CNC machines, power tools, and hand tools. These tools could be used to build a wide array of products from solar engines to multifunctional furniture. All tools and services are available to IceCairo members. Membership is offered in exchange of money (full package) or time spent assisting at IceCairo.

3.2.1.5 Cairo Angels (CA)

CA identifies as Egypt’s first formal angel investment entity. They are one of few organizations that offer funding to early-stage start-ups. As will be discussed in the following chapter, seed funds are particularly lacking in Egypt. CA functions as an angel investment network: investors make their own decisions, but CA handles logistics, organizes meetings, screens potential companies for investment, and provides portfolio management services to the investors.

On average, collective investments range from 250,000 EGP to 2,000,000 EGP per company. Apart from funding, CA also offers other kinds of services, mainly entrepreneurial mentorship through the CA network. Most funded companies are not social but conventional enterprises, however CA is included in this report for being one of a few angel investor networks in Egypt.

3.2.1.6 Nahdet el Mahrousa (NM)

Founded in 2003, Nahdet el Mahrousa, meaning “Egypt’s Renaissance” is an NGO built to help social entrepreneurs in Egypt by providing incubation services and seed funding. NM puts special focus on youth by including them in its mission statement and tailoring programs specifically to them. NM services are split up into 5 areas:

| | |
|---|--|
| 1 | Social Entrepreneurship Training: complete training and coaching provided to phase I and phase II prospective Ses |
| 2 | Mentorship: one-on-one guidance between managing partners of prospective SEs and experts with proven entrepreneurial success in Egypt |
| 3 | Management Support (for startups): bi-monthly one-on-one support offered to early stage SEs, their teams, and management |
| 4 | Technical Consultations: NM mobilizes its membership base and extended network of SEs, SESOs, and business entrepreneurs as sector- and field-specific consultants to one another |
| 5 | Fully equipped co-working spaces: Office space available to SEs to work, hold meetings, or host events |

According to its internal impact assessment, NM has in its first decade incubated around 40 social enterprises and impacted 50,000 beneficiaries in the area of youth development, education, employment, healthcare, and culture. This includes SEs covered in this report such as Studio Meem and Nawaya. NM also maintains an active presence and dissemination effort, which include a regular newsletter to raise awareness about the SE ecosystem in Egypt. While seemingly a minor aspect, such outreach and awareness campaigns are very important to begin the policy conversation in Egypt around SEs.

3.2.2 A Trend on the Rise: the Egyptian Diaspora and SE in Egypt

Before concluding section 3.2, it is important to note that starting in the 2000s and accelerating recently, the Egyptian diaspora’s involvement in the SE sector has been a promising source of all forms of help, functioning as a collective SESO of sorts. This is especially true of Egyptians living in the US and Europe, where concepts of social entrepreneurship are more advanced. The annual

NEGMA conference is an example. It was launched in 2012 by Egyptians in the US to support the business operations of youth in Egypt. Social business is a core goal, and both financial and technical support is provided (Abdou and El Ebrashi, 2015: 40).

Moreover, a large initiative to engage Egyptian experts abroad in the local development plan is realized through the JESOR program, which is short for ‘joint collaborative efforts between Egyptian experts abroad and institutions in Egypt’. Unlike similar programs in other neighborhood countries, this program does not focus on the repatriation of Egyptian experts abroad but on developing strong ties with their home country and creating a mechanism that could easily allow them to contribute to addressing local challenges and problems. Thus, it is neither a repatriation program nor an employment scheme. It rather provides grants to Egyptian organizations to handle local challenges through working collaboratively with Egyptian experts in Europe. The program currently supports 55 technological projects and collaborative bridges with 55 different expatriates (Radwan and Sakr, 2018).

3.3 MICRO LEVEL MAPP

The literature on social entrepreneurship suffers from conceptual murkiness. The term is new, but the practice is old. Not in the MENA only, but in all regions of the world. Hence, a broad definition exists, usually to capture the difference between conventional and social entrepreneurship: that the social one utilizes innovation in business to address a social problem, wherein revenue generated through business is primarily utilized to ensure the sustainability of the business, and therefore the innovative ‘solution’ to the social problem. Narrower definitions are needed, however, to go beyond this basic dichotomy, and accurately represent the lived social norms and realities of the SEs and communities to which the definition is to be applied.

Abdou and El Ebrashi (2015) provide a useful breakdown of the components of social entrepreneurship that could be applied in Egypt. According to the authors, social entrepreneurship exists as a combination of the following:

“1) discovering opportunities to eliminate social and institutional barriers and address market failures related to the provision of public goods and distributional equity; 2) experimenting with ideas; 3) establishing innovative social organizations; 4) having clear social outcomes and impact; 5) performing activities to achieve social outcomes; 6) promoting the growth of social organizations; 7) using specific indicators to measure the social impact of the organization; and 8) creating financial sustainability for the organization” (Abdou and El Ebrashi, 37-38)

The above illustrates the broad range of SE qualifying activities and suggests the need for a structured approach to identifying social enterprises.

Method

This section uses a nested research methodology, complementing desk research with the primary research done during the March 2019 FGDs and workshops, and published in the Needs Assessment Report attached to the present document. In total, 33 social enterprises have been selected to form the micro map. This SE sample has been purposefully chosen to accurately represent the diversity of the population of SEs in Egypt in terms of:

- Legal status
- Social cause
- Beneficiaries
- Phase of maturity

- Size
- Type of activity
- Area of operation

3.3.1 Legal Format

The majority of social enterprises in Egypt are registered as companies. 20 out of 33 social enterprises mapped are registered as companies with the MIIC of Egypt; 7 are registered as NGOs, one is a governmental organization, one is a EuropeAid funded project under TVET II, and the remaining 4 are informal. The reasons for this makeup are related to the difficulties NGOs face in accepting and using funds. More SEs are expected to register as companies now than before because of the 2016 NGO law. This presents a problem, as companies are required to maintain certain profits, and receive no favorable treatment concerning taxation and other financial obligations.

3.3.2 Social Problems Addressed

The mapped social enterprises spanned across different sectors for a total of 11 social problems addressed between them. From the sample, it is possible to infer the priority problems and focus to be:

- Unemployment (5 SEs)
- Poor or outdated manufacturing techniques (4)
- Gender rights, equity, and GBV (4)
- The environment (4)
- Education (4)
- Poverty (3)
- Transport (2)
- Housing (2)
- Recycling (2)
- Health Care (2)
- Labour Rights (1)

Specifically, within the environment group 2 SEs focused on solar and renewable energy and 2 focused on agricultural sustainability techniques. All manufacturing-focused SEs provided their social utility by empowering local artisans to either find a market for their craft or reach an already existing market

elsewhere using technology. These SEs (such as Kilim) also have a cultural dimension, as they aim to preserve ancient techniques of handcrafting and manufacturing that have not integrated into modern markets.

3.3.3 Geography

The majority of SEs in Egypt are based in Cairo or abroad, with few servicing other provinces. This is generally the case in Egypt and other MENA countries where commercial activities are highly capital centric. Only 9 out of 33 SEs mapped carry out extensive operations outside of the Greater Cairo province. These are the SEs focused on the environment, particularly agriculture; 15 mainly service Cairo with minimal interaction with other provinces; and the remaining 9 SEs mount operations in Cairo and abroad, mostly in London, Paris, or in the GCC countries.

3.3.4 SE Organizational Structure and Team Composition

The largest SE mapped is comprised of slightly over 200 employees, and that is Plant Agribusiness. The median size is around 20 employees, with some entities even having fewer than 5. This range alone is not indicative of the capacities of social enterprises in Egypt, as informality in the country extends to this sector as well. **Even within formal social enterprises, the reliance on informal workers or volunteers/ outside experts or consultants is highly common.** For example, Career Advancers and Axeer Studios depend on outside consultants that outnumber their regular staff many times over, and Shamseya's volunteers are a crucial component of that SE's work.

The most common work modality identified is 'projectized', meaning SEs split their work into projects, each with a high degree of autonomy and a different lead manager. Some entities such as Nahdet el Mahrousa and IceCairo identify as social enterprises, describing and treating their employees as entrepreneurs, giving them a wide breadth for creativity and leadership. No more than one third of all mapped SEs self-identified as social enterprises.

Less than a quarter of mapped organizations have a clear monitoring and evaluation protocol in place. Yomken.com is an example of that: it has a mechanism for recording and analyzing data off its online platform. This allows for evidence-based impact assessment, an essential element for serious social enterprises, and for follow-ups with key beneficiaries.

3.3.5 Relationship with Government

SEs maintain relationships with different government entities for a variety of reasons:

- **Registration:** As outlined in section 3.1.2.1, the manner of registration and the government entity with which an SE must register is dependent upon the form of organization the SE opts for. The March FGDs revealed SEs have a relative awareness of the processes of registering companies and NGOs with the Egyptian MOI and MOSS—respectively. Section 4.1.2 reveals that each process contains different challenges for SEs during and after registration. Initiatives such as GAFI are attempting to reduce the bureaucratic steps required to register a SE (enterprises in general), with some success achieved through digitizing parts of the process.
- **Funding Approval:** NGOs must maintain a close relationship with the MOSS of Egypt as funding requires approval before use, especially since 2016. Under normal circumstances, companies (and therefore SEs registered as companies) are not required to obtain approval before using funds.
- **Partnerships:** The Egyptian government has launched several initiatives through the MIIC, and the CBE (see section 3.1.1). These represent the only widespread form of partnership available to SEs with the government. More direct strategic partnerships such as seen in Europe are nonexistent.

3.3.6 Phases of Maturity

The most common phase of maturity of SEs in Egypt is the startup phase. Around half of all mapped SEs are startups with a third in the growth phase, and just over 10% in the ideation phase. This mapping, however, likely reflects the relative lack of data on early-stage SEs, as well as the fact that many phase I SEs do not last long due to the lack of funding and support for phase I SEs. The phase of maturity matters greatly in Egypt, as will be shown in the following chapter early stage SEs are particularly lacking in funding support. SEs that make it to phase II, and especially phase III, are more likely to receive funds from international and local donors, as well as government programs, and angel investors.

4. ANALYSIS AND RECCOMENDATIONS

This Section will analyze the SE ecosystem in Egypt based on the mapping in Section 3 and supplemented for the other part with published policy papers and academic research. Social entrepreneurship and social work in general have a strong foothold in Egypt, but this evaluation reveals areas for improvement primarily in terms of a more comprehensive legislative framework and stronger public and private support systems. The needs of SEs are varied by phase, but access to early stage finance and special legislation regulating SE work are prime amongst them. Furthermore, **special attention regarding the employment of youth and women is required to achieve the developmental potential of the SE sector, as these cohorts simultaneously represent the major drivers of SE work in Egypt, as well as the most marginalized segments of the population.**

The analysis below and the resultant recommendations assume a short- and long-term outlook. The latter considers the economic reform efforts that begun in 2014, peaked in 2016 with Egypt signing a \$12.4 billion deal with the IMF, and continue to the present (2019). Recommendations are made in alignment with this restructuring, in which the private sector, international trade, entrepreneurship, and innovation are seen as the drivers of growth by policymakers. **In this context of transition and transitional policy**, questions concerning SEs can be re-oriented: how can social entrepreneurship advance Egypt's goals of attracting foreign and domestic investment and enhancing the competitiveness of business in the global market? How can the policy focus on entrepreneurship be made to include social entrepreneurship? How can policymakers be made more aware of the potential of SEs considering the lack of formal policy dialogue? And what can SEs contribute to lessen the burden of restructuring on the poor?

As implied by the last question, the short term for Egypt carries many socioeconomic burdens, which are recognized as a natural element of economic restructuring. In economic theory, prosperity follows the period of belt tightening undergoing presently in Egypt, which witnessed a plummeting exchange rate and a high annual inflation rate (between 10%-15% according to the Egyptian Ministry of Finance). Hence, in the short-term, transition phase social enterprises are important to mitigate the burden on the poor and marginalized segments of the Egyptian population. Supporting policies and programs are required to activate and sustain the social impact of SEs on a country-wide scale.

4.1 Access to Financing and Loans

The lack of access to finance and borrowing emerged as a problem across the board for all social enterprises operating in Egypt. This includes both companies and NGOs, but to a larger degree the latter. **Companies and NGOs both, especially micro and small ones, are not able to find affordable financing options, due to their size and start-up status** (Abdou & El Ebrashi, 2015: 46). NGOs face additional restrictions—namely, a legal framework that requires government authorization for financing non-for-profit operations, as well as constant delays [...] in receiving official approvals to access grants, making it very difficult to secure the needed financial resources (Ibid). The 2016 NGO Law (see sections 2.1 and 3.1.2.3) compounded on an already restrictive environment for non-for-profit operations. Security concerns in Egypt since 2011, which remain today, directly translated into numerous restrictive laws that act as obstacles for the growth of the SE sector.

Start-ups carry the brunt of the burden due to the shortage of private funding mechanisms and the high interest rates offered by public lenders such as Egypt’s Social Fund for Development (SFD). According to Abdou and El Ebrashi (2015):

if the three SEs studied here did not have initial investments from their founders or personal supporters (as is the case with KarmSolar and Qabila), or have access to grants from international donors (such as the case with FTE), they would not have been able to survive, or even start up. This is especially alarming as it shows **how difficult it would be for social entrepreneurs without the right personal funding and Connections**” (Abdou & El Ebrashi, 2015: 46, emphasis added)

In fact, according to the FDG done in tandem to this report, “SEs agreed that start-up funding was not possible unless the start-up is already established and has been operating for almost 6 months to show capability of the business” (MedUp and Hassanein et al., 2019: 17). Hence, both **private and public financing are considered here as a major challenge facing new SEs at the ideation and startup phases.** Funds are not usually available, and when they are, they come with high interest rates that new start-ups, which need the most funding cannot afford. Furthermore, and as discussed in prior sections, international funding and private domestic grants are subject to government approval, adding another obstacle within the larger problem, mostly faced by NGOs and entities registered under Egypt’s Ministry of Social Solidarity.

Social enterprises that have operated for relatively long periods of time are more capable of obtaining and using affordable financing, provided they are registered as companies not NGOs. The lack of funding availability for phase I SEs is offset in the data by the relative availability of funding for phase III ones. Hence, the most recent Global Entrepreneurship Monitor (GEM) report on entrepreneurial framework conditions in Egypt shows the country performing above the regional and global averages, as well as the national income level average (1= highly insufficient; 5 = highly sufficient).

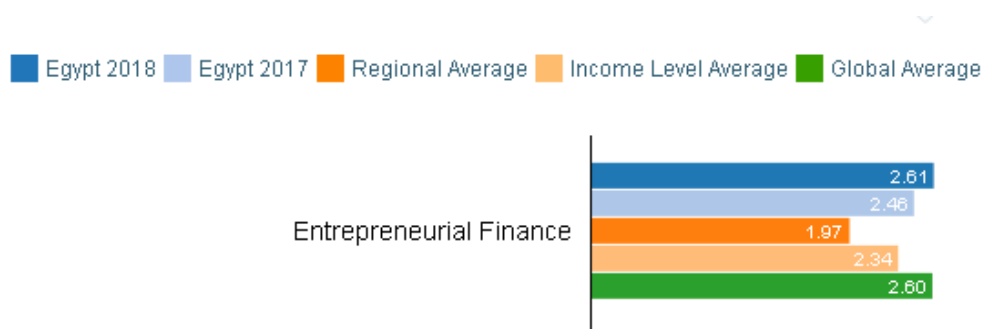


Figure 5: Doing Business Report 2019, Arab Rep. of Egypt (Entrepreneurial Finance Score)

Recommendation 1: Activate the Enterprise Europe Network (EEN) in Egypt

Despite the important role of the EEN worldwide, especially with respect to ‘soft-landings’ and access-to-finance for microbusinesses, its presence and impact in Egypt in the past decade was not evident. In 2013 the Egyptian European Competitiveness Network was reactivated and connected to the EEN in the hopes that the world’s largest business support network would help small and medium-sized enterprises (SMEs) make the most of business opportunities. The national office of EEN in Egypt is located at the Ministry of Trade and Industry. The services are offered free and include business consultations, access to finance, access to databases, partnerships and technology brokerage and networking services.

Despite the network’s aims to increase the visibility and competitiveness of Egyptian small and medium enterprises in addition to enhancing their local and international market shares, the magnitude of support is not enough. Moreover, the Egyptian network has several strategic partners including the technology and industrial development sector of the Ministry of trade and industry, the Egyptian organization for standardization and quality, the EU department at the Egyptian commercial service,

the Egyptian Junior Business Association and the Industrial Modernization center. The potential, therefore, of the EEN is untapped in Egypt.

Recommendation 2: Establish a national network of venture capitalists and funding agencies
Given the existing challenges facing venture capitalists and those facing social entrepreneurs regarding access-to-finance and limited public funding, it became important to establish a mechanism that could **connect the relevant stakeholders in addressing these challenges**. The first venture capital committee at the Ministry of finance was established early in 2001 and it played an important role in recommending structural changes to foster the venture capital industry in Egypt, however, this committee suspended its operations after the first Uprising in 2011. Reviving the work of this committee and strengthening its role and mandate would create a significant impact in the short and long terms, especially within the climate of reform. Examples of similar efforts include ASRT's network, which started in 2018 with the involvement of developmental agencies, banks and other agencies with expertise in microbusinesses and social entrepreneurship. ASRT's network aims to stimulate dialogue among stakeholders and increase the visibility of targeted loans and financing schemes for startups and recently established microbusiness in particular domains.

Recommendation 3: Introduce dedicated funding schemes for social enterprises

Despite the enormous initiatives and financial schemes provided by the central bank of Egypt, MSMEDA, and other public agencies, these schemes are not well suited to the particularities of social enterprises. Introducing new funding schemes, ranging from seed funding to growth funding, especially within the programs of the Ministry of investment and the Ministry of Trade and Industry, would have a clear impact in boosting the capacities of social enterprises in Egypt. Funding schemes tailored to SEs would:

- (1) Consider the social impact of enterprises in judging business merit, an aspect not normally weighted as much as it should in the context of conventional funding programs;
- (2) Permit benefits in the form of tax and other financial exemptions, including a special fast-track for MOSS approval of grant money for NGOs; and
- (3) Provide a range of funding options, including micro investments, grants, loans, and a mix of the latter two.

Recommendation 4: Introduce tax benefits for investments in Phase 1&2 SEs

As discussed at numerous points in this report, early stage social enterprises are particularly vulnerable to failure due to lacking funds. The natural risk-aversion of investing in startups is compounded in Egypt's by the current, precarious economic situation. Incentives are required to spur investors to become more risk-prone in the case of social enterprises, which currently have few to no dedicated funding channels. In addition to the above recommendation to introduce new funding programs for social enterprises, this report suggests a tax incentive scheme to allow prominent businesses and businessmen to deduct portions of their investment in social enterprises from tax obligations. The resource loss experienced by the government would be offset by in like social contributions made by the funded SEs. Lacking policy dialogue on the social entrepreneurship sector, however, this recommendation is subject to the recommendations made in section 4.3 of this chapter.

4.2 Restrictive Legal Formats

In Egypt, like in all MPCs except (in part) for Jordan, there was no specific legislation to regulate social enterprises. As detailed above, SEs have the option of registering as, generally, companies or NGOs. The micro level mapping showed that 60% of SEs in Egypt are registered as companies (private commercial businesses), while 21% are registered as NGOs. Since NGOs are increasingly restricted from conducting income-generating activities, accepting and using donor funds, SEs are finding it harder to register as NGOs in Egypt. For example, "by law, AYB [*alashanek ya balady*] is not allowed to offer micro-finance to its beneficiaries. It is only allowed to provide micro-credit, which means that, unlike micro-finance institutions (MFIs) which are allowed to offer micro-finance, it is deprived of an important source of income" (Abdou & El Ebrashi, 2015: 47). Similarly, Abdou and Kharas (2012) show that "MFIs are prohibited from offering other banking products, such as insurance and remittance services which are essential for the sustainability and growth of a MFI" (Abdou and Kharas, 2012: 5).

Companies face no restrictions in generating income, but are bound by various tax and revenue obligations that dilute the focus on the social aspect of the work. According to AECOM,

[In] most cases social entrepreneurs are either bound by their revenue streams and business model and cannot make any profit risking their

sustainability or develop commercial activities for social impact purposes with no legal or tax incentive, not easy access to technical support, and are not eligible for donations or grants (AECOM, 2016: 31).

Furthermore, commercial companies must submit to regular audits and other inspections by the relevant ministry. This incurs additional expenses for SEs registered as companies in the form of fees paid to legal experts and accountants. The FGDs convened as part of the Needs Assessment Report submitted in tandem to this Country Study reveals that many SEs have their work hindered by these additional expenses (MedUp and Hassanein et al., 2019). In addition to the financial dimension, there is also a matter of information and know-how: SEs registered as companies must be constantly aware and up-to-date about the latest commercial legislation, which distracts resources away from addressing the social problem(s).

Recommendation 5: Create Egypt Social Enterprise Act (long-term)

Given the above-mentioned challenges, and the rapid evolvement of the Egyptian innovation ecosystem, as well as the clear potential arising from the availability of many young entrepreneurs, it becomes essential to build a framework to enable the creation and development of social enterprises. This framework and accompanying legal measures would shape Egypt's Social Enterprise Act, which would allow also businesses to structure themselves and acquire the status of SE with the opportunity to benefit from such a structure. A participatory approach in establishing this act shall ensure that the proposed legislative measures would provide the right impetus for the development of social innovation and enable the right packages of incentives for the proactive growth of the social economy. This is a long-term recommendation that must first be founded on policy dialogue and greater political awareness of SEs' potential contribution to society and the macroeconomy. Considering the current economic reform underway in Egypt, such complex changes are timely.

Recommendation 6: Leverage existing legislation & flexibility measures for 'quick remedies' (short term)

Despite the obvious legal constraints facing social enterprises, there are number of existing legislations that, redirected, would support the operations of social enterprises. Moreover, certain flexibilities in the enforcement of commercial and NGO laws would further ensure the short-term survival of the sector.

Large businesses in Egypt are exempt from significant percentages of taxes when part of their activities is geared towards social development. Similar ‘spin-off’ incentives could be provided using existing legislation to support the growth and development of Egyptian social enterprises. Maximizing the benefits of existing measures and laws would have a quicker impact in the short term—i.e. until recommendation 5 or similar legislation is in place. In addition, the introduction of flexibility measures in applying laws to SEs is perceived as a crucial quick remedy. Egyptian SEs registered as companies could be exempt from tax obligation on revenue re-invested in the enterprise, as well as government fees; NGOs would benefit greatly from relaxing obligations related to foreign funding fees and approval requirements. In the interest of catering both to the short- and long-terms, the suggested ‘flexibility measures’ are considered crucial until the point where special legislation regulating social entrepreneurship work is in place.

Recommendation 7: Platform to encourage collaborate between corporations and SEs
Corporations take on several pro-bono cases in their fields of work to boost employee morale and corporate image. For example, real estate developers are known to build houses for free in poor areas to alleviate some of the problems of the housing deficit due to overpopulation. Another example is law firms, which often provide free legal services to refugees and underprivileged members of their communities. Major corporations could further elaborate on their corporate social responsibility by donating not just funds but also their resources in terms of personnel and knowledge to like SEs.

Media efforts are required to encourage corporate-SE collaborations within similar/same fields, outlining the mutual benefits, as well as an online platform to connect SEs with interested helper-corporations. Such collaboration would additionally benefit the corporations with tax incentives, while eliminating major costs for SEs at little to no cost for the donor corporation. Where donor funding is restricted, the corporations could help by providing information, legal services, working spaces, equipment, and technical assistance.

4.3 Lack of Policy Dialogue

Although we are starting to gather a good starting level of knowledge about the entrepreneurial ecosystem in Egypt (Adly and Khatib, 2014), we are still lacking a fuller understanding of the ways in which MSMEs can overcome the challenges of sustainable development: what capacities do enterprises need to build in terms of mind-sets, leadership, governance, organizational structures, and management systems? And how could SEs achieve sustainably in order to contribute towards the creation of an innovation-driven economy? Business policies and policymakers in Egypt prefer dominant companies, which often create barriers to entry and survival of new small firms and restrict competition. Public authorities and policymakers focus mostly on ‘wholesale’ business sector development, neglecting MSMEs in the process. Big Enterprises are either isolating their supply chains from the Egyptian economy or suffering from a low quality of raw materials coming from the MSMEs which, on the other hand, receive little or no logistical support, and often face competition from large and established companies, making it more challenging for these MSMEs to survive.

Recommendation 8: Enable participatory policymaking based in inclusive dialogue led by private sector intermediaries

Communication between young entrepreneurs and main stakeholders (especially policymakers) in Egypt is poor. Business intermediaries are unable to act as an effective hub between MSMEs and policymakers due to a lack of analytical and technical capacity that restrict its participation in policy dialogue on business reform issues, particularly those relevant to MSMEs. While different target groups are facing different and various difficulties, there is a widespread need to overcome communication challenges and to foster the dynamism and effectiveness of intermediary organizations, making them supportive to both MSMEs and policymakers.

Proposed is a three-dimensional participatory approach to SE policymaking, which involves empowering policymakers and intermediary business organizations to generate a new generation of dialogue stakeholders and more effective non-governmental entities (through, for example, the ASRT capacity building programmes). The goal is to contribute to the evidence-based advocacy in the business policymaking processes. Also needed are analytical studies of the business development culture in Egypt, with a special attention toward the entrepreneurial ecosystem to assess the needs of the intermediary business organizations and MSMEs (through, for example, the Alliance), as well as

effective dissemination actions and reliable communications between all target groups and final beneficiaries (through, for example, the Agora).

Recommendation 9: Social/conventional entrepreneurship and general business education

In addition to the proliferation of entrepreneurship support programs as well as startup incubators and accelerators, the last decade in Egypt ignited ambitious educational reform programs, mainly in basic and vocational education. Despite this, the 2018 GEM Report for Egypt finds that youth **“aspirations and intent”** concerning entrepreneurship, which are among the highest scoring worldwide, **are not translating into actual startups**. This is “due to the limited business education among Egyptians in general” (GEM, 2018: 70). The report acknowledges the “radical reforms” currently being introduced to the Egyptian educational system, but accurately argues that it will take decades for these reforms to translate into impact (Ibid). In keeping with the simultaneous short- and long- term focus of this study, other educational tools are suggested to complement the educational overhaul in the short term:

- Mass media campaigns to raise awareness about (social) entrepreneurship
- Public media services to inform communities about important business support initiatives
- Vocational training to provide foundational knowledge and skills concerning starting and managing an enterprises, especially SMEs

These short-term solutions are “particularly important given the traditional educational culture that promotes “safe” government or corporate jobs” (Ibid). Universities such as AUC have already begun to focus on entrepreneurship through both long- and short-term efforts, and such a focus should be encouraged and expanded upon to other institutions, especially public institutions, which are still lagging in terms of the emphasis on business education.

Recommendation 10: Capitalizing on communication channels built into public entrepreneurship support programs such as GAFI and Nilepreneurs

The government programs mapped in this study are, for the most part, geared toward enabling innovation and conventional entrepreneurship. Yet SEs have been involved in initiatives such as GAFI and Nilepreneurs. Lacking policy dialogue on social entrepreneurship (and in general), these initiatives become ‘second-best’ opportunities for SEs to voice concerns and raise awareness about their numbers and potential contributions to society. Coordinated and repeated efforts to bring

these issues to the attention of government are required. This is especially relevant in today's Egypt where security concerns have constricted the space for lobbying and activism.

4.4 Challenges facing women business in Egypt

Females are barely participating in effective labor market activities and most stay economically and socially inactive throughout their lives. The minority of women who enter the labor market (23%) face a high unemployment rate, reaching almost 24% compared to 4% for male unemployment. Only 18% of women are employed formally (El-Mallakh et al., , 2018). The contrast between the labor market activities of both sexes is striking. While secondary and tertiary education and VET certainly play a role in enabling women to join the labor market, their employment is additionally subject to social and cultural norms that create preferences towards male jobseekers, leaving female members of the labor force unemployed and socially inactive. This implies serious labor market barriers and gender discrimination against women.

In the context of social enterprises, labor market entry barriers and employer discrimination carry over to the aspects of funding, company registration, and other commercial activities where gender-based discrepancies exist. Moreover, female entrepreneurs and women micro-businesses are primarily reliant on family or loans with high interests for funding, showing limitation of institutional financial and non-financial support mechanisms. Despite these difficulties, and according to the findings of an FP7 project, **SI DRIVE** - Social Innovation: A Driving Force of Changing Societies', there is a balanced gender ratio of Social Innovation (SI) practice founders, meaning (young) women in that MENA, and specifically in Egypt, are active and play a significant role in community development. Indeed, half of the social enterprises mapped in this report are either founded, led, or represented by women. Thus, empowering SEs in Egypt goes hand in hand with empowering women, which, like youth in general, have been leaders of social innovation and business in Egypt.

Recommendation 11: Empower women's business and combat gender-related cultural restrictions through assessment of needs of different target groups of women (long-term)

SI/SE initiatives for gender equity, women empowerment, supporting early education of young girls and women's' right in work environment (i.e. wages, sexual harassment, working hours) are needed to be openly advanced at all levels—i.e. government, media, etc. Mitigation measures and actions are needed especially with regard technical & financial support to women entrepreneurs, micro & small

size single households' enterprises with the aim of enhancing their business models and support their activities to scale.

WomenUp Initiative

ASRT and SEKEM launched WomenUP in February 2018 with the support of the European Union under the EuropeAid program. The aim is to support women-led microbusinesses and boost the innovation capabilities among female entrepreneurs in addressing local societal challenges. WomenUP launched a survey addressing Egyptian small businesswomen and female entrepreneurs, identifying access to finance and competition policies as the main challenges. Further attention is paid to developing the education system and adjusting curricula to include a focus on entrepreneurship and business development. **The centralization of businesses services, customers, large banks and investors in Cairo and big cities decrease the presence microbusiness and affects the sustainability of small businesses in urban and rural areas.** Hence, communications between businesswomen and female entrepreneurs and main stakeholders (i.e. suppliers, investors, private sector) needs to also be improved. The table below classifies the needs and contains of different female stakeholder groups, suggesting activities specific to each group and needs/constraints set.

Table 4: Classification of Female Entrepreneurs in Egypt by Needs and Proposed Activities (WomenUp Initiative)

| Female Stakeholder Groups | Needs/Constraints | Targeted Activities |
|---|--|---|
| Female single headed households (20-60 years old) | <ul style="list-style-type: none"> • Socially/ economically inactive • High unemployment rate • Shortage of funding • Simple business model, low income • Institutional challenges • Restricted networks & access to markets | <ul style="list-style-type: none"> • Assessment and improvements of their value & supply chains • Specialized vocational trainings • Fundraising and market access • Networking & communication activities with women Entrepreneurs |

| | | |
|--|---|--|
| (Young) Women Entrepreneurs (20-30 years old) | <ul style="list-style-type: none"> • Shortage of funding • Missing technical & financial guidance • Operational and technical problems • Marketing capabilities are limited | <ul style="list-style-type: none"> • Accessibility to financial services (i.e. platforms and centers) • Technical coaching and mentoring • Access to Lab-based infrastructures • Integrated marketing & business support mentorships • Promoting women-WEF best practices |
| Women, in General | <ul style="list-style-type: none"> • Low social & economic activity • Gender discrimination (esp. workplace) • Connectedness with important stakeholders (i.e. investors, private sector) not satisfactory | <ul style="list-style-type: none"> • Raise potential and image of women as job creators • Improve women participation and impact in solving societal challenges • Advance public-private dialogue and promote sharing of success stories |

Recommendation 12: Dedicated coaching for and by Egyptian women

As stated throughout this study, youth and women are major drivers of social innovation and entrepreneurship in Egypt. Yet, the number of self-employed women and youth is low. According to the 2018 GEM report,

In terms of gender distribution in Egypt: around **one in every 3.5 entrepreneurs is a woman** (7.5% of women compared to 18.8% of men), and one in every five established business owners is a woman. Women-led businesses have a lower probability of continuation compared to men-led businesses. The rate of women participation is much lower than global averages (GEM, 2018: 9).

Therefore, to increase the involvement of women in economic activity through self-employment, as well as to ensure continuation of women-led businesses, it is recommended to enlist the help of existing pioneers among women-led SEs in Egypt as coaches. Coaching would be available to aspiring and new entrepreneurs on business strategy, team organization and management, and financing, as well as providing a space to negotiate potential cultural problems on a one-on-one basis.

4.5 Challenges facing youth business in Egypt

According to World Bank and ILO data for the year 2018, the rate of youth unemployment in Egypt is amongst the highest worldwide at 33%. This official figure likely underestimates the reality in Egypt, as underemployment and informal employment of youth is not considered. Despite great efforts to

spur self-employment and entrepreneurial initiatives as a solution, the number of formally self-employed youth remains underwhelmingly low. Structural and macroeconomic reasons such as high inflation, weak employment institutions, an unregulated labor force, and the 2009 global recession are partly responsible for the lack of jobs. For the other part, the social and political changes that began in 2011 made domestic and foreign investors risk-averse, constricting economic activity in Egypt. For similar reasons, Egypt's tourism receipts have fallen dramatically in the present decade, further constricting employment opportunities in one of the country's most important sectors for employment (exact figures available in chapter 2 of this report). Egypt's current economy cannot accommodate its large (and exceedingly young) labor force. The social consequences of unemployment affect all segments, but specifically youth and women, whose unemployment rates are the highest.

Despite social and political exclusion, youth, alongside women, constitute the main demographic drivers of social innovation and business in Egypt. “[T]hey have arguably defied [...] exclusion [...] through [...] political organizing and demonstrations [...] or through voluntary civil society activities [...]. In that same context they have also established, and are leading, not-for-profit and for-profit SEs” (Abdou and El Ebrashi, 2015: 38-39). Indeed, this is also the case in many other MPCs. The economic, social, and cultural potential of SEs to contribute to Egypt, therefore, can be tapped through spurring youth employment opportunities in general, and empowering informal youth (and women's) groups.

Recommendation 13: Skills matching mentorship

Skills mismatch is a term increasing in popularity in Europe and the MPCs for its ability to describe an almost global misalignment in the supply and demand of skills, and thus unemployment. There are numerous forms of mismatch, but the phenomenon is generally defined as the gaps between the skills supplied to graduates during education and the skills required by the labor market for employment or entrepreneurship. The concept “received renewed attention in advanced economies following the global economic crisis in 2008-2009” for its ability to explain the massive increase in (youth) unemployment in most countries (ILO, 2014: 5). In Egypt, the concept is used to explain the simultaneous existence of job vacancies and unemployment throughout the years.

In this climate, informal and formal peer-to-peer mentorship becomes a recommended short-term solution until curricula in formal mid- and higher-level, as well as vocational, institutions are redefined to include the needs of the labor market. Suggested is an online mentorship program for prospective SEs at the ideation phase to connect with representatives from established SEs and learn about the soft and hard skills required for success in their field. The target beneficiaries of this proposal are young entrepreneurs with an idea, but no or little knowledge of how to start and manage their enterprise. Numerous mentoring platforms (see chapters 2 and 3) are already offered by public and private sector actors, but without a specific focus on SE work and without the express intent on correcting educational and skills mismatches. This focus presumes an analysis of the skill stock of the potential entrepreneur through an entry exam or questionnaire against the skills needed to succeed in a specific field, enabling tailored support and specialized mentor assignment.

Recommendation 14: Promote youth exchange programs, especially within the Mediterranean

A comprehensive framework for cooperative policy development exists between the EU and its Mediterranean neighbors to the east and south. Policy platforms exist, consisting of the Barcelona Declaration (1995), the European Neighborhood Policy (2003), the UfM (2008), and, most recently, the Partnership for Research and Innovation in the Mediterranean Area (PRIMA). Euro-Mediterranean Universities also exist in numbers around the region, including the Euro-Mediterranean University in Slovenia (EMUNI) and the Euro-Mediterranean University of Fez (UEMF). “[T]he Europe 2020 strategy regards cooperation with neighbourhood countries on societal challenges as central to Europe’s efforts to better help its own development policy” (Elzoheiry, 2015: 64).

The above represent instruments of untapped (at least not fully tapped) cooperation between Egypt and its Mediterranean partners to the north. Specifically, it is recommended to form, utilizing the help of the above platforms, a new Mediterranean Exchange Program for youth to learn about the common challenges facing countries such as Egypt, Tunisia, Spain, and Greece in a climate pledged for inclusive growth. The benefits of youth exchange in fostering social entrepreneurship are documented, even with the explicit intention of extracting lessons for the SE sector in Egypt (Mowafi and Farag, 2013).

4.6 Lack of policy continuity and the availability of information

Following the popular Uprising of 2011, Egypt (and other countries such as Tunisia), with the help of international finance institutions, has embarked on significant political and economic reform programs. At the macroeconomic level, these efforts are seeking to address both old problems resulting from decades of imperfect and incomplete economic liberalization¹ and new problems originating in the global financial collapse and the aftermath of 2011 Uprising, which witnessed numerous cabinet and ideological changes. 2016 saw Egypt take its most serious step towards reform with the removal of subsidies (the most significant subsidy removal since independence) and the floating of the Egyptian pound. These efforts are a first step that signal a long transition process where it is the express goal to change the policies and institutions that govern the country for the better. In summary, frequent policy changes, both favorable and none, have been a norm that is expected to continue and even increase in the coming years.

Furthermore, the post Uprising years have seen a great proliferation of public and private support efforts, as outlined in chapter 3 of this report. Hundreds of billions of Egyptian Pounds have been pledged across hundreds of programs and initiatives in support of entrepreneurs and MSMEs, led by a fragmented set of ministries, the CBE, SESOs, and international organizations. **Keeping up with the new institutions and support programs, as well as the expected policy changes, will be essential for the survival and maturity of not just social but all enterprises in the years to come.** Unfortunately, the country greatly lacks in terms of making information available and communicating important changes to the relevant constituencies. This will create many missed opportunities and put an added strain on SEs (for example, in terms of complying with policy changes such as 2016 NGO law).

¹ Sadat's Egypt between 1974 and 1979 witnessed a fiscal crisis, which made it necessary to abandon state-led development for liberalisation and privatization policies. The removal of subsidies, especially on bread, however, was met with popular riots and dissent, which resulted in policy backtracking. Since then, Egypt has seen many instances of partial openness, which resulted in incomplete liberalisation, incomplete privatization, a partially pegged currency, and a political culture lacking policy continuity and follow through, which was exasperated in the post 2011 Uprising years with frequent cabinet and ideological changes.

Recommendation 15: Create Egypt SE Map

It is not surprising that against this background, documenting the many macro, meso, and micro changes becomes as important as enacting the changes themselves. Hence, ‘mapping’ efforts have also grown in popularity. An example is the social innovation map kept by the Egypt Innovate initiative led by the Ministry of Communication and Information Technology and the current endeavors of TED-PPP project/innovation bank at the Academy of Scientific Research and Technology (see section 3.1.1.2). A similar effort for social enterprises would enable SE-SE, SE-SESO, and SE-GOV connections. It would also be responsible for promulgating important policy and legal changes to social enterprises, as well as furnishing relevant information about new programs or support efforts. Moreover, the centralization of key information concerning social entrepreneurship in Egypt would help the government adopt other macro recommendations in this report, as well as initiate much needed policy dialogue on the matter of social entrepreneurship. Finally, congregating all relevant information about the SE ecosystem would contribute to the growing awareness about the potential contributions of SEs in Egypt, accelerating their social and political embrace.

Recommendation 16: Establish National Legal Help Line

Lack of timely information about changes in policy and in the legal frameworks that directly affect the working of companies and NGOs results in missed socio-economic opportunities, fines, and an overall reduction in the quality and consistency of social help provided. Suggested is an office, which maintains an open line to answer queries and provide information concerning important legislative changes in the country per enterprise type. This entity would function as social enterprise itself, keeping the cost of the service low or nil. According to the FGDs and workshop performed as part of this study, start-ups would particularly benefit from this office, as startup representatives expressed concerns that they are not always aware of laws and compliance requirements governing their work.

Recommendation 17: Establish Egypt Peer-2-Peer SE and SESO Forums

Suggested is an annual forum for social entrepreneurs and support organizations, especially at startup phase, to meet and share best practices. ‘Best-Practice Sharing’ has become a common solution for all forms of business problems across Europe and the MPCs. **This is especially true in Egypt where widespread informality coupled with frequent policy changes has made enterprises increasingly more reliant on ‘word-of-mouth’ as a primary source of accurate and up-to-date information.** This forum is recommended as an important element in terms of growing the SE ecosystem in the short term. Lacking the legal recognition of social enterprise as an official

organization model, new SEs can greatly benefit from the experience of established SEs. Furthermore, the repeated congregation of SEs in Egypt would also encourage legal and technical firms to specialize in SE support, as currently there are few SESOs and public programs expressly specializing in SE support.

A SESO forum would enable, in addition to the sharing of best practices and unique insights, cooperation between support organizations in designing and executing programs. Since SESOs in Egypt are themselves facing many of the legal and organizational obstacles as SEs, cooperation is essential to mitigate the impact of these challenges on the ecosystem in general.

5. CONCLUSION

Numerous strategic and political interventions are underway in Egypt at the national level to respond to the many demographic, economic, and social challenges facing the country of almost 100 million people. Together, these many reforms constitute a major economic reconfiguration of the country at a record scale, and leads us to readjust our scope, fitting analyses and recommendations into the context of rapid multidimensional change. For social enterprises, this means three major things: (1) SEs are needed more than ever today as the present economic transition in Egypt has levied great burdens on subsidy-dependent poor, un(der)employed youth, and the underprivileged areas of the country; (2) SEs must capitalize on the opportunity to be part of this change as the subject of legislation, investor attention, and local and international support; (3) analysts must consider key changes that are expected to shape the next decades in Egypt, including, but not limited to:

- **The Youth Bulge:** Egypt, and the region in general, has one of the largest under-25 populations in the world, as well as one of the highest rates of youth unemployment
- **Innovation and entrepreneurship:** these two elements are heavily emphasized in many of the country's strategic plans, and reflected in public programs such as Nilepreneurs and MSMEDA;
- **The Egyptian diaspora:** the other side of the 'brain drain' coin is a potential source of investments, information, and collaboration that could activate the SE sector in Egypt. The aforementioned NEGMA conference is, for example, "currently [...] working to establish an organization that links the technical capacity of the Egyptian diaspora with the needs of social entrepreneurs working in Egypt (Mowafi and Farag, 2013: 1, see article a full discussion of the potential of the Egyptian diaspora specific to the SE sector); and
- **Shifting Economies and the international emphasis on the MENA post 2011:** Global trends concerning Egypt include China's rising involvement in Africa and Europe's renewed emphasis on inclusive growth in the medditeranean in response to migration and humanitarian crises in the region.

Together, these facts and trends, coupled with data presented in chapter 2 regarding growth, inflation, and exchange rates in Egypt provide a crude yet important birds eye image of the economic transition to come. The present study considered these trends in recommending ideas for bolstering the social entrepreneurship sector in Egypt. In total, 17 ideas are recommended, as summarized below:

- Activate the EEN Network in Egypt
- Establish a national network of venture capitalists and funding agencies
- Introduce dedicated funding schemes for social enterprises
- Introduce tax benefits for investments in Phase 1&2 SEs
- Create Egypt Social Enterprise Act
- Leverage existing legislation & flexibility measures for ‘quick remedies’
- Create a platform to encourage collaboration between corporations and SEs for mutual gain
- Enable participatory policymaking based in inclusive dialogue led by private sector intermediaries
- Emphasize Social/conventional entrepreneurship and general business education
- Capitalize on communication channels built into public entrepreneurship support programs such as GAFI and Nilepreneurs
- Empower women’s business and combat gender-related cultural restrictions through assessment of needs of different target groups of women
- Create and spread dedicated coaching schemes for and by Egyptian women
- Begin ‘Skills matching’ mentorship
- Promote youth exchange programs, especially within the Mediterranean
- Create Egypt SE Map
- Establish National Legal Help Line
- Establish Egypt Peer-2-Peer SE and SESO Forums

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