Egypt

* Occupying the northeast corner of the African continent, Egypt is bisected by the highly fertile Nile valley, where most economic activity takes place. Egypt's economy was highly centralized during the rule of former President Gama Abdel Nasser but opened up considerably under former Presidents Anwar El-Sadat and Mohamed Hosni Mubarak. With a population of 78 million, a GDP of $497.8 billion and an annual growth of 5.1%, Egypt’s economy is the 27th largest in the world.
* Open markets theoretically exist, but non-tariff barriers hinder trade due to the uncertain political situation resulting in a 10 point downgrade in financial freedom to an overall score of 40 out of 100 by the Heritage Foundation.
* Access to the financial market is restricted in that 45% of the banking system is owned by the state and is under stress caused by negative impacts globally of the current internal political strife. Accordingly, the financial freedom score has been decreased 10 points since 2010, with a current score of 40 and a world ranking of 105th in the world according to Heritage Foundation.
* Vestiges of Egypt’s socialist past remain as the government heavily subsidizes food, energy and other commodities. The prevalence of the government in the economy undermines the effectiveness of any policies intended to open markets and improve productivity, resulting in a Global Competitive rating of 3.88 out of 7 by Transparency International.
* The government is currently unstable due to Arab Spring protests, abuses of Mumbarek, power struggle between the military and the legislature, and allegations of corruption in the recent election of Mohamed Morsi. As a result, Egypt has a negative ranking of -0.42 (­-2.5 to +2.5 scale) for rule of law on the World Bank Worldwide Governance Indicators.
* Neither intellectual property nor physical property is effectively protected earning Egypt a Heritage Foundation property rights score of 35 out of 100.
* Although recent reforms reduced the time and cost necessary to start a business, other necessary institutional reforms to encourage business growth have not been forthcoming and the Heritage Foundation Economic Freedom Index has fallen 1.2 points from 2011 to 57.9 out of 100.
* Due in part to diversion of public funds, lack of transparency of government policy making and favoritism in government decision making, Egypt’s rank in Global Competitiveness by the World Economic Forum has fallen 13 places from 2010 to 94th in the world in 2011.
* Heritage Foundation scores Egypt in the lower third of countries in freedom from corruption, with a score of 31 out of 100 as the judicial system is corrupt, and legal proceedings are costly, lengthy and subject to political pressure. Transparency International gave Egypt 2.9 out of 10 on their corruption perception index in 2011.
* The negative score of -0.5 out of a possible +2.5 for control of corruption by Transparency International speaks of both the previous Mumbarek regime and the current political climate under Morsi.

# Egypt entrepreneurs see new dawn post-Revolution

By Andrew Torchia, Jan 18, 2012, *Reuters*

CAIROTwo months after mass protests ousted Egyptian president Hosni Mubarak last February, Ahmed Essam resigned from his job at a well-established software company to set up a six-person venture developing applications for smart phones.

The economic turmoil which engulfed the country after Mubarak was overthrown played a part in his decision, says Essam, 28. With many firms freezing investments and shedding jobs, his salaried post no longer looked as stable.

"I felt the current situation might not continue after the Revolution. Most of the old companies will not make it in the new era," he said.

But the euphoria of the Revolution was also a factor. With the end of 30 years of rule by Mubarak, during which much of Egypt's economy was dominated by state-run companies and businessmen linked to the Mubarak regime, Essam thinks hard work and commercial vision have a greater chance of succeeding.

"People had lost hope -- you would walk along the street and nothing was yours, nothing was under your control. The Revolution created a feeling that people can change the world for the better."

In a 1920s apartment building across the street from the Giza Zoo outside Cairo, Essam now works 15-hour days to develop an application which rearranges social network feeds such as Facebook and Twitter according to their relevance to the user. He hopes the application will be used not just in Egypt or other Arab countries but around the world.

…A year after Mubarak's ouster, economic conditions in Egypt remain grim. The risk of a currency devaluation, and continued uncertainty over how much power the military is willing to hand over to a democratic government, are deterring new projects by many large businesses, including foreign investors.

…At the same time, the new political landscape is encouraging a flowering of entrepreneurial activity among some Egyptians. Around the country, thousands of young people are developing ventures based on original business ideas or laying plans to do so -- efforts that could, if they prove successful, eventually help to solve Egypt's unemployment problem.

There are no comprehensive statistics for the number of new ventures but Abdelrahman Magdy, chief executive of Egypreneur, which helps entrepreneurs find the contacts and services they need, promotes their ideas and provides training, says the change in the past 12 months has been dramatic.

Before the Revolution, Egypreneur had between 2,000 and 3,000 followers on Twitter; now it has about 20,000, Magdy said. The number of public conferences for entrepreneurs in Egypt's big cities has increased eightfold, he estimated.

As in Essam's case, there is a push factor behind the growth of entrepreneurship: seeking a long-term job in a government bureaucracy or a big corporation, traditional avenues for educated Egyptian youths, no longer seems as possible or as attractive with the government in disarray and the economy sagging.

…Egypt had entrepreneurs and a growing information technology industry well before the Revolution, noted Ramez Mohamed, chief executive of Flat6Labs, a U.S.-style "startup accelerator" that was established last year to provide starting capital and support to ventures in their initial stage. But people's new sense of political empowerment is providing a boost, he said. "The Revolution has affected the scene," he said. "People learned that they could set their hopes higher. They feel they can make it on their own, that anything is possible."

…"The pieces for the chess game are there. The board is not there yet," said Scott Gerber, a U.S.-based author who founded the Young Entrepreneur Council, a global group of entrepreneurs. He visited Egypt last year to meet businessmen and investors. Egypt badly needs legal reforms -- "the tax laws are all over the place" -- as well as government support for entrepreneurs in areas such as public-private partnerships; "the banking system needs a complete overhaul" to prepare it to lend to smaller enterprises, Gerber said.

With Egypt's new, democratically elected parliament likely to remain distracted for months by political maneuvering and macroeconomic challenges such as coping with the state's budget deficit, the obstacles to new ventures may not be removed any time soon…

 <http://www.reuters.com/article/2012/01/18/us-egypt-entrepreneurs-idUSTRE80H1LL20120118>