

# The Cairo Start-up Scene

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- Cairo

According to start up platform Magnitt's 2019 MENA Venture Investment Report Egypt is the most active venture capital market in the MENA region in 2019 with 25 per cent of all transactions in the region, which also makes it one of the fastest growing start-up ecosystems in the world.

Many factors contribute to the continuous growth of the start-up sector in Egypt making it the hub for start-ups in the region.

## What makes Cairo a vibrant start-up scene?

Egyptians, face various challenges in their everyday activities such as dependence on cash, traffic congestion, poor quality of public transportation, and longer commutes due to limited job offers. Consequently, Egyptians have increasingly been turning towards technological and innovative solutions to overcome these challenges. With a population of over 100 million, Egypt is the largest consumer market in the MENA region making it a lucrative platform for investors.

The Egyptian government has successfully introduced various economic and structural reforms to tackle a number of embedded issues in the economy to create a more attractive and dynamic investment climate and sustain growth. Additionally, as part of its ongoing efforts to make Egypt the most attractive investment destination in the MENA region, the Egyptian legislator is seeking to expand the implementation of various legal, economic and institutional reforms to improve the business climate and promote local, regional and international investment.

Young entrepreneurs have sensed the domestic appetite for technological advancement triggered by both the difficulties facing Egyptians in their daily routines and growing internet penetration. They have begun offering innovative technological solutions for major issues, giving rise to a strong wave of entrepreneurship enhanced by the government approach to support start-ups in Egypt. Furthermore, this growing access to and availability of the internet combined with the high unemployment rate has exposed young Egyptians to alternative ways of doing business and therefore encouraged them to start developing their own projects. This change in mindset has been strongly encouraged by the Egyptian government through its continuous efforts to scale the industry by launching several initiatives to support the start-up sector.

Correspondingly, there has been a remarkable shift in the mindset and attitude of Egyptians towards doing business with many founders of start-ups, manifesting in a greater willingness to take risks. This change comes as a result of the awareness-raising measures adopted by the business community and the government to encourage young entrepreneurs to work on materialising their ideas whilst offering them the adequate tools to develop their projects.

In this arena, the approach of the Egyptian government is to provide support to start-up businesses by offering a number of different programmes and networks aimed at assisting young entrepreneurs in raising funds and understanding the regulatory framework of their business. One of the initiatives by the Ministry of Investment and International Cooperation and the General Authority for Investment and Free Zones is the 'Fekratek Sherketak' initiative, which is a centre which offers training, workshops, mentorship sessions and shared workspaces for entrepreneurs. Another government initiative is Bedaya, founded by Egypt's

General Authority for Investment and Free Zones, which is a governmental fund offering financing as well as office space and networking opportunities to start-ups.

The government's efforts to scale the industry is accompanied by platforms such as RiseUp Summit and Techne Summit. These events offer global outreach to local start-ups. Their objective is to raise awareness regarding the start-up scene in Egypt and to offer an opportunity for young entrepreneurs, investors, and experts to network and connect with potentially interested stakeholders and investors on an international scale.

In addition, the fact that a large percentage of the population is unbanked creates the need for new financial technology solutions to enable financing for the unbanked, for the purpose of increasing financial inclusion. With the increasing need for innovation and the shift towards digitalisation, many Fintech start-ups have emerged in the country to promote financial inclusion by offering more affordable financial solutions and extending credit facilities to the unbanked population.

Many Fintech solutions focus on developing platforms for cashless and remote transactions in order to facilitate the transfer of remittances, payment of utilities and bills, and even money saving schemes. These solutions increase the accessibility to credit for lower income individuals and the unbanked population. More importantly, these solutions have helped ease the rigid bureaucratic procedures associated with the banking sector, and thereby contributing to greater financial inclusion.

## **What are the obstacles?**

Nevertheless, there are a number of factors that still hinder the attractiveness of Egypt as a hub for venture capitalism. First, political turmoil and, as a result, security concerns in Egypt and throughout the Middle East and North Africa may reduce investor appetite.

Second, despite the serious efforts to improve the legal framework for investments in Egypt and the attempts to regulate certain sectors, low level, bureaucratic bottlenecks as well as the existence of loopholes in the overall legal framework are still stifling real progress on the ground. Only time will tell whether true and meaningful change will occur from the bottom up.

Third, a culture of mistrust in the banking system makes cash the primary payment method in Egypt. This is an obstacle that the private sector and the government must address with the aim of establishing trust in the financial systems in order to persuade them of the full potential of Fintech solutions.