Igniting startups for economic growth and social change

Angus Bowmaker-Falconer and Mike Herrington

Global Entrepreneurship Monitor South Africa (GEM SA) 2019/2020 report

GEM

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The entrepreneurs who contribute to innovation and new economic development opportunities in South Africa.

Government, academic institutions, organisations in the public and private sectors, and individuals who are committed to the support and nurturing of entrepreneurial success in our country.

Glossary of terms

ACTFA	Africa Continental Free Trade Area
APS	Adult Population Survey
EBO	Established business ownership
EEA	Entrepreneurial employee activity
EFC	Entrepreneurial framework conditions
GDP	Gross domestic product
NECI	National Entrepreneurship Context Index
NES	National Expert Survey
NFC	National framework conditions
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals
SEA	Social entrepreneurial activity
SMEs	Small and medium-sized enterprises
SMMEs	Small, medium and micro enterprises
TEA	Total early-stage entrepreneurial activity

Definition

Adult population	Working-age adults, i.e. adults between the ages of 18 and 64 years.

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Foreword from the sponsor

The Small Enterprise Development Agency (Seda) is proud to be an organisation dedicated to supporting entrepreneurship as well as small business development and research.

We are very excited to partner with Stellenbosch University (SU) and the Global Entrepreneurship Research Association (GERA) in undertaking the Global Entrepreneurship Monitor South Africa (GEM SA) study. This study provides fundamental insights for entrepreneurship development in South Africa.

GEM's research outputs continue to serve as a longitudinal entrepreneurial development yardstick as we work towards facilitating entrepreneurship that is embedded in and implemented throughout the entire small business ecosystem.

Our focus is on ensuring meaningful partnerships that involve both the public and private sectors. Moving ahead, Seda is reviewing its role in the business development ecosystem. We foresee a growing strategic emphasis on facilitation in our operational model. This will optimise the implementation of the organisation's mandate, enabling more small businesses and entrepreneurs to access our services. In this regard, shared access to a comprehensive database of small businesses at the district level, business development support practitioners and entrepreneurship research remains vital.

We look forward to facilitating the implementation of this study's recommendations, particularly with regard to the development of programmes and policies in support of small business development across the ecosystem.

About Seda

Seda is an agency of the Department of Small Business Development. It was established through the National Small Business Amendment Act, Act 29 of 2004. Seda is mandated to implement the South African government's small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate government-funded small enterprise support agencies across all tiers of government.

Seda's target market covers small, medium and micro enterprises – including cooperatives.

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About the University of Stellenbosch Business School (USB)

The USB is a triple-accredited African business school focused on responsible leadership development and is a part of SU, the top-ranked research university in Africa.

One of the USB's key social engagement initiatives is its Small Business Academy, which offers a nine-month business development programme to small business owners from low-income communities. Its engaged learning programmes allow students to have a positive social impact by facilitating entrepreneurial development.

The USB is pleased to announce our custodianship, from this point forward, of the GEM SA research study. GEM's research is recognised as the most authoritative, informative and ambitious annual research study on global entrepreneurship.

The 2019/2020 GEM SA report is our inaugural contribution to national entrepreneurship research in the country.

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Executive summary

About this report

The University of Stellenbosch Business School (USB) is pleased to release the 2019/2020 Global Entrepreneurship Monitor South Africa (GEM SA) research report.

In the twenty-one years since its inception in 1999, the Global Entrepreneurship Monitor (GEM) has measured entrepreneurship across 114 countries, and has gained widespread recognition as the most informative and authoritative longitudinal study of entrepreneurship in the world. In 2019, 50 economies participated in the GEM Adult Population Survey (APS) and 54 countries participated in the National Expert Survey (NES).

The GEM SA 2019/2020 report is significant as South Africa faces real, urgent economic development challenges. In business today, we know that the future will not be a mere prolongation of the past. We are living in a disruptive context; success and prosperity will come to those with agile adaptive strategies. This report focuses on how startups can contribute as engines of growth and social change in this era of exponential change. It gives the USB great satisfaction to be facilitating this type of business development.[1]

A reader's guide

This report comprises five main sections. **Section 1** introduces the GEM conceptual framework and methodology. This framework depicts the multifaceted features of entrepreneurship and recognises the proactive, innovative and risk-responsive behaviour of individuals, always in interaction with the environment. The GEM research methodology is standardised and harmonised across all participating economies.

Section 2 presents the results of GEM SA's main study, the APS, based on a South African representative sample of 3 300 respondents.

Section 3 evaluates the South African entrepreneurial ecosystem. Entrepreneurial activity and success are highly dependent on the contexts within which they occur. GEM's NES, highlighted in this section, focuses specifically on the context features that are expected to have a significant impact on entrepreneurial attitudes and activities. Thirty-six experts were surveyed for their views on the most important conditions that either constrain or foster entrepreneurial activity and development in the country. This year's report sees the introduction of a refined National Entrepreneurship Context Index (NECI), outlined in this section. The NECI provides a single composite number that can express the average state and quality of the entrepreneurial ecosystem in a country, and be compared to those of other economies.

Section 4 provides perspectives on women and the youth in entrepreneurship in South Africa, and in Africa more broadly. The discussion reflects on key trends and issues related to the digital economy that impact women and youth entrepreneurship and employment.

Section 5 presents the conclusions and recommendations of this report along five key themes: (i) strengthen national framework conditions; (ii) align the entrepreneurial ecosystem networks of learning, mentorship and support; (iii) ignite entrepreneurship for women and the youth; (iv) provide entrepreneurial education for the digital economy; and (v) accelerate financing innnovation and improve access to markets.

The profiles of the four African countries that participated in the GEM 2019/2020 global study – South Africa, Morocco, Madagascar and Egypt – are included in the appendices.

It is highly recommended that the GEM SA Report 2019/2020 be read in conjunction with the GEM Global Report 2019/2020.[2]

The context

The findings of this study should not be interpreted in a void, but with careful consideration of the South African context. Relevant contextual factors include (i) the economy; (ii) high unemployment rates; (iii) the current state of entrepreneurship; (iv) the failing education system; and (v) the Fourth Industrial Revolution (4IR) and the digital economy.

The economy

The South African economy is underdeveloped, but has great potential as well as access to abundant natural and other resources. South Africa has the most industrialised economy on the African continent and is a leader in most sectors. Over the past decade, however, the economy has consistently underperformed, with the real gross domestic product (GDP) per capita declining since 2011.

The full-year 2019 GDP growth forecasts were around 0.4% or lower, and consensus economic growth forecasts for 2020 are now below 1% (according to the South African Reserve Bank, International Monetary Fund, World Bank and Moody's Investors Service). This sluggish growth will translate into limited job creation and could deepen the existing rifts caused by unemployment and financial inequality.

The South African economy, like many others, was deeply affected by the 2008 financial crisis. Various domestic challenges have resulted in a slow recovery and economic flatlining. Business confidence remains fragile domestically, and the country is well out of favour on the global investment-grade indices. The domestic challenges that plague the economy most include, amongst others, governmental overspending, rising government debt, poor state delivery capabilities, governance and corruption challenges in both the public and private sectors, the unreliability and unpredictability of electricity supply, the education system's lack of delivery, and extreme unemployment. Also, failing state-owned enterprises and policy-related uncertainties around land appropriation without compensation are spooking international investors.

This range of challenges affects South Africa's efforts to make progress on several United Nations (UN) Sustainable Development Goals (SDGs). The SDGs, also known as the "Global Goals", were adopted by UN member states in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

The following two SDGs are the most relevant to entrepreneurship in South Africa:

- SDG 1: End poverty in all its forms everywhere
- SDG 10: Reduce inequality within and among countries

These two SDGs pose major challenges, given the country's low economic growth. On the one hand, unemployment trends

are likely to exacerbate poverty and create further reliance on government grants. On the other, the lack of robust economic growth will cement inequality, keeping a more inclusive society out of reach.

As part of efforts to address the current economic situation, the Economic Policy division of the National Treasury in 2019 published a position paper on long-term economic transformation, inclusive growth and competitiveness.[3] The analysis and recommendations in this report are not fully supported by all stakeholders, but clearly identify the policy reforms needed to ignite the economy.

Unemployment crisis

Unemployment is a crisis that can only be addressed through structural reforms in the economy, supported by investment in and systemic changes to the education system. With an unemployment rate of 29.1%, South Africa faces significantly greater employment challenges than the other countries in the BRICS group of emerging national economies (compare Brazil at 11%, Russia at 4.6%, India at 7.2% and China at 3.6%).[4]

Entrepreneurship matters

Across the Organisation for Economic Co-operation and Development (OECD), comprising 36 countries from North and South America to Europe and Asia-Pacific, small and medium-sized enterprises (SMEs) account for 99% of all businesses and between 50% and 60% of value added. Nearly one third of people in OECD member countries are employed in a micro-enterprise with less than 10 employees, and two thirds are employed in SMEs. In many regions and cities, SMEs have been the main drivers of job creation, and they often contribute to the identity and social cohesion of local communities. As the predominant form of business and employment, they are also key actors in the promotion of more inclusive and sustainable growth, economic resilience and social cohesion.[5]

1 Prof. Piet Naudé, Director: USB.

2 Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

3 *Economic Policy, National Treasury. (2019). Economic Transformation, Inclusive Growth, and Competitiveness: Towards an Economic Strategy for South Africa.* Retrieved from http://www.treasury.gov.za/comm_media/press/2019/Towards%20an%20Economic%20Strategy%20for%20SA.pdf

4 Retrieved from https://tradingeconomics.com/country-list/unemployment-rate

The 2019 OECD review acknowledges that, even in the more developed economies, SMEs face ongoing challenges. Firstly, SMEs constitute a very heterogeneous population with differences being influenced by economy size, market structures, institutions and regulation, the prevailing business environment and other factors.[6] Secondly, although SMEs are driving job growth, there is a need for greater investment in skills, innovation and technology to boost wages and productivity.[7]

South Africa still has some way to go towards developing entrepreneurship as a significant driver of economic development and job creation. The comparatively high data costs in the country is one of the major challenges faced by South African entrepreneurs. This is an important market issue to address, given that the digital economy is where many entrepreneurial opportunities lie. Additionally, there is significant over-regulation of small businesses with unnecessary bureaucratic burdens, and there remain various labour market rigidities.

> Nevertheless, the government increasingly acknowledges the importance of entrepreneurs and small businesses in achieving sustainable and inclusive economic growth, and realises the need to urgently put in place a series of policy reforms to support this goal.

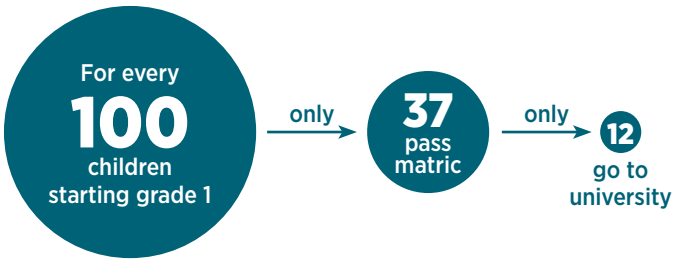
In July 2019, the Minister of the Department of Small Business Development announced new measures in pursuit of economic transformation and job creation through the development of small businesses and cooperatives.[8] These measures include, amongst others, (i) making funding available through all of the department's centres, with commitments to significantly improving funding turnaround times; (ii) introducing common templates for funding applications across all South African development finance institutions; (iii) introducing the Small Business Innovation Fund, which will use a blended finance model to lower financial costs for entrepreneurs through means of loans and grants; and (iv) making provision to fund partner organisations (incubators) under certain conditions.[9]

Education remains vital

South Africa's economic stagnation is inextricably linked to the failure of its education system as the development of human capital is vital not only to individual progression but also national development.[10] Although the country has experienced a rapid expansion in access to education and increased enrolment in recent decades, the quality of education has remained poor and characterised by ongoing inequality.[11]

The dynamics of the educational system outcomes are complex and not a reflection of the degree of financial investment in education by the government. The fundamental challenge is that there remains a dual education system: one for a minority wealthy segment, delivering the requisite educational outcomes, and the other for the majority poor population, ill-equipping young people for post-school opportunities and further development. The result is the reinforcement of social and income inequality.[12]

There is a lack of understanding at government level of the extent of the country's education crisis, according to Prof. Jonathan Jansen of SU's Faculty of Education.[13] Jansen agrees that the first big problem in South Africa is inequality and the second, its two unequal school systems. He points out that the country's education system is inefficient, getting very little at the output level: for every 100 children who start grade 1, only 37 pass matric and only 12 progress to a university.[14] Also, research indicates that 78% of grade 4 children in South Africa cannot read for meaning in any language. According to Jansen, the critical interventions required constitute going back to basics by (i) securing a massive governmental investment in ensuring every child gets a solid pre-school education; (ii) retraining all teachers on how to teach; and (iii) stopping the dumbing down of the school curriculums (maths and science being particularly important here).[15]



5 Organisation for Economic Co-operation and Development (OECD). (2019). *OECD SME and Entrepreneurship Outlook 2019.* Paris: OECD Publishing.
6 Ibid.
7 Ibid.
8 Ntshavheni, K. (Minister of Small Business Development). (2019). Address on the occasion of delivering Budget Vote 31 on Small Business Development. 12 July, Cape Town.
9 Staff reporter. (2019). *Here are SME minister's new measures to boost small business finance.* Retrieved from https://ventureburn.com/2019/11/small-business-minister-funding-measures/
10 Mtantato, S. (2018). *Basic education is failing the economy.* Retrieved from https://mg.co.za/article/2018-11-23-00-basic-education-is-failing-the-economy
11 Ibid.
12 Smith, C. (2019). "*SA school system based on dumbing down with 'stupid' subjects.*" June 20 2019, https://mg.co.za/article/2018-11-23-00-basic-education-is-failing-the-economy. Accessed on 21 February 2020.
13 Ibid.
14 Ibid.
15 Ibid.

Over and above the education system considerations, there is also the importance of delivering entrepreneurial education and developing entrepreneurial knowledge and skills. The key considerations here include determining what education is relevant in the context of the 4IR and the digital economy; when in the education life cycle entrepreneurial learning should commence (research indicates the earlier, the better) and how it should develop in depth and complexity; and how educators may be equipped to prepare the youth for the possibility of entrepreneurship as a career and life choice.

The Fourth Industrial Revolution (4IR) and the digital economy

The 4IR that is currently underway is likely to be more profound than any previous stages of extreme innovation. Industrial revolutions occur when new technologies and world views propel significant shifts in economic systems and social structures.[16] The reality we currently live and work in is pivoting towards a fusion of the physical and the virtual worlds. Interoperability, advanced artificial intelligence and autonomy are becoming integral parts of a new industrial era.[17]

Building on the digital revolution, multiple technologies are leading to unparalleled paradigm shifts in the economy, business, society and individuals. Waves of technological breakthroughs are occurring at the same time; the fusion of these technologies and their interaction across the physical, digital and biological domains is what sets the 4IR apart from its predecessors.[18]

Technological progress is spreading via the internet at relatively low costs, influencing every aspect of human life. Digital technologies have had a profound impact on the world, transforming entire industries while enabling new entrants with great ideas and business models to achieve exponential growth never before witnessed.[19] This digital transformation of markets provides significant growth opportunities for the economy as greater connectivity between participants in different ecosystems potentially drives a more inclusive and prosperous society.[20]

In the future, digital technologies will increasingly propel entrepreneurial activity as they hold the potential to disrupt existing market dominances and create new market and customer opportunities.

The digital economy is growing rapidly, especially in developing countries, yet it still undershoots its potential in the majority of the latter locations. In this way, growth in the digital economy is also exacerbating digital exclusion, inequality and adverse incorporation.[21] Even with access to digital opportunities, many South African's ability to make full use of them is limited by the affordability of this access.

16 Schwab, K.M. (2016). Welcome to The Fourth Industrial Revolution. *Rotman Management Magazine: The Disruptive Issue*, Fall 2016, 18–24. Retrieved from http://www.rotman.utoronto.ca/Connect/Rotman-MAG/Back-Issues/2016/Back-Issues---2016/Fall2016-TheDisruptiveIssueo

17 Schwab, K. (2016). *The Fourth Industrial Revolution.* Geneva: World Economic Forum.

18 Ibid.

19 Gupta, S. (2018). *Driving Digital Strategy: A Guide to Reimagining Your Business.* United States: Harvard Business Review Press.

20 Department of Economic Development and Tourism, Western Cape Government. (2017). *Sector Digital Disruption Impact Assessment.* Retrieved from https://www.westerncape.gov.za/general-publication/western-cape-sector-digital-disruption-impact-assessment

21 Bukht, R. & Weeks, R. (2018). *Development Implications of Digital Economies. Paper No. 6: Digital Economy Policy in Developing Countries.* Manchester: Centre for Development Informatics, University of Manchester Global Development Institute, SEED. Retrieved from https://diodeweb.files.wordpress.com/2018/03/digital-economy-policy-diode-paper.pdf

Overall findings

South Africa's international rankings

The NECI provides a single composite number representing the average quality of the entrepreneurial ecosystem in a given country, for comparison with other countries. In 2019, South Africa ranked 49th out of 54 economies, ahead of only Croatia, Guatemala, Paraguay, Puerto Rico and Iran.

On the rankings of the Global Competitiveness Report 2019, South Africa's overall position improved from 67 out of 140 economies in 2018, to 60 out of 141 economies in 2019. There was, however, a decline on some rankings, such as the burden of government regulations (to 101 out of 141) and the time required to start a business (to 129 out of 141).

Still of great concern is the low rating given to the quality of the education system (119 out of 141), which has shown no significant improvement over the years. This could have a dramatic impact on levels of entrepreneurial activity in the future.

South Africa also continues to rank low on the labour market indicators, i.e. flexibility of wage determinations (124 out of 141) and hiring and firing practices (129 out of 141).

The World Bank Doing Business 2020 study measured regulations in 12 areas of business activity across 190 economies. South Africa ranked at position 84, with an overall "ease of doing business" score of 67 out of 100. Only two African economies ranked in the top 50 on this ease of doing business measurement.

Mapping entrepreneurship in South Africa

The entrepreneurial pipeline

Social values around entrepreneurship

Societal attitudes and perceptions play a central role in shaping the national entrepreneurial culture. There has been an encouraging increase from 2017 to 2019 in the number of individuals who consider entrepreneurship a good career choice (from 69.4% to 78.8%) and one with high status (from 74.9% to 82.2%).

Self-perceptions and entrepreneurial intentions

The GEM conceptual framework shows a substantial increase (from 43.2% in 2017 to 60.4% in 2019) in the number of individuals who perceive that there are good entrepreneurial opportunities in South Africa and, importantly, believe that they have the necessary skills and capabilities to start a business venture. However, fear of failure is high at 49.8%, a significant increase from 2017. According to the 2019 findings, only 11.9% of respondents have entrepreneurial intentions, i.e. may be considered latent entrepreneurs intending to start a business within the next three years. Given the very high rates of underemployment and unemployment in the country, this is a discouraging finding.

Total early-stage entrepreneurial activity

A key GEM indicator is the total early-stage entrepreneurial activity (TEA) in a country. This indicator measures the number of individuals who are participating in either of the two initial processes of the entrepreneurial cycle (nascent entrepreneurship and new business ownership).

There was a small increase in TEA between 2016 and 2017, but this momentum was not carried through to 2019, which showed no real increase at 10.8%.

Established business ownership rate

This is the percentage of the adult population (i.e. the population aged between 18 and 64 years) who own or manage businesses that have been in operation for more than 42 months. South Africa's established business ownership rate increased from 2.2% in 2017 to 3.5% in 2019, but it is still far below the average for the overall African region and for developing countries in Latin America.

Business discontinuance

South Africa's business exit rate has decreased from 6.0% in 2017 to 4.9% in 2019, but is still higher than the established business rate of 3.5%, confirming that more businesses are closing down, being sold or otherwise discontinued than being started.

Meet South Africa's entrepreneurs

Their age

There has been a shift in early-stage entrepreneurial activity between the different age categories. Specifically, entrepreneurial activity has almost doubled from 7.5% in 2017 to 14.3% in 2019 in the age group 45–54 years, but has decreased in the age bracket 35–44.

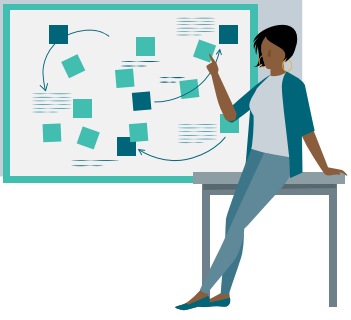
Their gender and race

The ratio of male to female entrepreneurial activity has changed from 1.52 (12.5 male : 8.2 female entrepreneurs) in 2017 to 1.14 (10.9 male : 9.6 female entrepreneurs) in 2019, indicating that female entrepreneurship is on the rise. Women make up more than 50% of the adult population in South Africa; the entrepreneurial activity ratio should ideally reflect this.

In terms of race, the white population has seen the biggest increase in entrepreneurial activity between 2017 and 2019. (an increase of 2.6%).

Their education levels

In all countries, an educated population with the requisite knowledge, skills and capacity for innovation has proven vital to driving competitiveness, productivity and sustainable growth. From 2017 to 2019, there was a significant drop in early-stage intrapreneur average level of education completion beyond the primary level. This finding is extremely concerning as education is a core necessity for any developing nation.



What we learnt from the National Expert Survey (NES)

The success of entrepreneurial activity is highly dependent on the context within which it occurs. Ecosystem factors such as government policy frameworks and legislation, economic development and performance, education and a host of social dynamics directly influence and uniquely shape entrepreneurial activity and development at a country level.

The NES is the vehicle for collecting data and expert opinions on the nine primary framework conditions used in the GEM conceptual model. These framework conditions focus on the contextual factors that are expected to have a significant impact on entrepreneurial attitudes and activities, rather than on general economic factors. In 2019, the South African ratings on the framework conditions were, across the board, lower than in 2017. The country's ratings were also consistently lower than the GEM global averages.

Access to physical infrastructure or services continued to rate highest (5.1), with availability of entrepreneurship education at the primary and secondary levels, lowest (2.2). Other low ratings were for government entrepreneurship policies (2.7), government entrepreneurship programmes (3.1), research and development transfer (3.2), internal market burdens (3.4), and entrepreneurship education at tertiary level (3.5). Read more about this in **Section 3**.

Unpacking the national framework conditions (NFCs)

The top-line findings for four of the NFCs (selected on the combined basis of current ratings and their importance for improving the entrepreneurial ecosystem in South Africa) are summarised below.

Government policies and initiatives

The 2019 expert ratings of seven aspects of government policies around entrepreneurship are lower than those of 2017, four of the seven having a rating of lower than three out of ten.

The South African government has, over the past two decades, introduced many programmes to promote entrepreneurial development. Unfortunately, the average expert ratings of how well these programmes have been implemented are poor, suggesting a very low return on effort and investment.

This, together with the clear drop in all scores from 2017 to 2019, is reason for concern.

Market openness

Open, efficient market systems and healthy competition are good for economic inclusion, innovation in products and services, and realistic, fair pricing. A rating of five or less out of a possible ten depicts an unhealthy market dynamic. The findings show that, in the case of both new and established markets, experts perceived deterioration in market openness in 2019, all scores being below 5.

Entrepreneurship education and training

Education, specifically entrepreneurial education, is a foundation requirement for starting a business and succeeding as an entrepreneur. The NES expert commentators agree that the education system in South Africa still does not sufficiently align with or support entrepreneurial activity.

Of all types of feeder education for entrepreneurship, business and management education was rated most efficient, but at a lowly 4 out of 10 only. Vocational, professional and continuing education systems scored second highest at 3.5. In terms of promoting creativity, laying out market economic principles and paying sufficient attention to entrepreneurship, primary and secondary education systems scored very low at 2.3, 2.3 and 2.2 respectively.

These scores need to be considered in the context of the 4IR and the rapidly evolving digital economy. It is unlikely that, in the future, large corporations will employ people in increasingly large numbers; education systems will need to provide learners with new capabilities for earning a living in a fast-changing world. Entrepreneurship is likely to become a career reality for more and more people.

Availability of and access to finance

Access to funding is a problem for the majority of intentional entrepreneurs. GEM studies have shown that the lack-of-funding dilemma hinges on the tension between what the entrepreneur can offer and what funders require.

The NES results show that experts are currently fairly positive about the availability of entrepreneurial finance. (South Africa's overall average for this framework condition is 4, compared to the GEM global average of 4.5.) However, the scores on the individual aspects of this framework condition were all lower in 2019 than in 2017, with government subsidies for new and growing firms dropping the most from 5.2 to 3.9. Private lender funding (including crowdfunding) scored the lowest of all funding sources at 3.3.

GEM at a glance

In numbers, GEM is:

20 years of data

200 000+ interviews a year

300+ academic and research institutions

200+ funding institutions

In 2019, **four African countries** participated in the study:

South Africa, Morocco, Madagascar and Egypt.

Since 1999, GEM has:

measured entrepreneurship in **100+** countries

analysed **3M** observations

across **114** economies

and consulted with **36 000** experts.

Some of GEM's findings

Types of entrepreneurs

12.6% of adults are starting or running a new business

8.5% of adults have an established business (older than 42 months)

3.7% of adult employees are involved in entrepreneurship

18.7% of adults starting out as entrepreneurs own family businesses

9% of new entrepreneurs own solo businesses

Women and men in entrepreneurship

7 female entrepreneurs for every 10 male entrepreneurs

Saudi Arabia, Qatar and Madagascar are the only economies **with more female** than male entrepreneurs.

Countries with equal startup rates for women and men:

Indonesia, Thailand, Panama, Qatar, Madagascar and Angola

SECTION 1

Exploring the global context

Over the past twenty years, the GEM research consortium has tracked the evolution of entrepreneurship within countries, identifying the scale of its contributions to jobs and the economy, alongside strategies and policies to support new ventures or new business creations.

50

In 2019, fifty economies participated in GEM's research, including four from Africa.

The GEM story

In the two decades since its inception in 1999, the GEM has measured entrepreneurship in 114 countries, covering all geographic regions and all economic levels.

During this period, the annual GEM reports have gained widespread recognition as the most informative and authoritative longitudinal study of entrepreneurship in the world.

GEM is a large-scale international research collaboration that measures entrepreneurship and its associated characteristics in a manner that is consistent over both time and space. This enables the rate and nature of entrepreneurship development to be monitored by directly comparing different economies at a given point in time, and by tracing the evolution of entrepreneurship within a given economy over a period of time.

The GEM consortium consists of national teams that each use the same precise research methodology, sample design and survey tools to collect nationally representative data on entrepreneurship.

Since 1999, GEM has cumulatively surveyed over 3 million adults across the globe. This constitutes the world's largest and most extensive study of entrepreneurial activity to date.

GEM's research has made a significant contribution to the international understanding of the entrepreneurial phenomenon, and to the development and monitoring of policies to promote entrepreneurship.

GEM combines representative surveys conducted amongst each participating country's adult populations with data obtained from experts in entrepreneurship. The GEM population data include more than 36 000 expert assessments of national framework conditions (NFC) for entrepreneurship.[22]

Surveys are conducted annually by in-country teams who collect primary data through two structured national surveys. The first survey, the **Adult Population Survey (APS),** is used to interview a nationally representative sample of at least 2 000 respondents between the ages of 18 and 64 years (henceforth simply referred to as "the adult population").

22 Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

In 2019, the average country sample size was just over 3 000.[23] The second survey, the **National Expert Survey (NES),** is aimed at understanding the country-specific contexts for enterprise and is used to survey at least 36 carefully selected individuals who have national expertise in entrepreneurship across a broad range of categories, as outlined in this report.

Who participates in this study?

In 2019, 50 economies participated in the GEM APS study. This constituted a representation of approximately 68% of the world's population and 85% of the world's GDP. Representatives of 54 economies completed the NES.

Of the 50 APS-participating countries, 11 were from the Middle East and Africa, eight from East Asia and the Pacific, another eight from Latin America and the Caribbean, and 23 from Europe and North America. Five of these economies are classified as low-income level, twelve as middle-income and the rest as high-income.[24] Over 150 000 individuals participated in extended interviews as part of the GEM APS research study in 2019.[25]

The economies that participated are shown in **Table 1**, grouped by geographic region and income level.

The GEM conceptual framework

The GEM research programme was first conceptualised in 1997 by two academics, Michael Hay and Bill Bygrave, from the London Business School and Babson College in the United States respectively.

Academics and policymakers agree that entrepreneurs and the new businesses they establish play a critical role in the development and well-being of their societies. As such, there is increased appreciation for and acknowledgement of the role played by new and small businesses in economic development among academics, research institutions and governments alike.

23 Ibid.

24 Schwab, K. (Ed.). (2019). *The Global Competitiveness Report 2019*. Geneva: World Economic Forum. Retrieved from http://www.weforum.org/gcr Note: The low-income group contains those economies classified by the World Economic Forum as "low-income" as well as those classified as "lower-middle income". The middle-income group includes those economies that the World Economic Forum places as "upper-middle". The largest group of the GEM economies constitutes those economies classified by the World Economic Forum as "high-income".

25 Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

26 Ibid.

Table 1: Participating economies in the GEM APS research study of 2019/2020, by geographic region and income level[26]

Regions	Low-income	Middle-income	High-income
The Middle East and Africa	Egypt, Madagascar, Morocco	Iran, Jordan, South Africa	Israel, Oman, Qatar, Saudi Arabia, United Arab Emirates
East Asia and the Pacific region	India, Pakistan	Armenia, China	Australia, Japan, Republic of Korea, Taiwan
Latin America and the Caribbean region		Brazil, Ecuador, Guatemala, Mexico	Chile, Columbia, Panama, Puerto Rico
Europe and North America		Belarus, North Macedonia, Russian Federation	Canada, Croatia, Cyprus, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States

The GEM research programme looks at how enterprise creation and business development contributes to economic growth.

The GEM research programme was conceptualised recognising the interdependency between entrepreneurship, the specific country context and economic development. The purpose was threefold:

- To uncover factors that encourage or hinder entrepreneurial activity, especially those related to societal values, personal attributes and the entrepreneurship ecosystem.
- To provide a platform for assessing the extent to which entrepreneurial activity influences economic growth within individual economies.
- To identify policy implications for entrepreneurship and ensure that they enhance entrepreneurial capacity in the given context.

GEM's conceptual framework depicts the multifaceted features of entrepreneurship, recognising the proactive, innovative and risk-responsive behaviour of individuals, always in interaction with the environment. The framework derives from the basic assumptions that national economic growth is the result of the personal capabilities of individuals to identify and seize opportunities, and that this process is affected by environmental factors that influence individuals' decisions whether or not to pursue entrepreneurial initiatives.

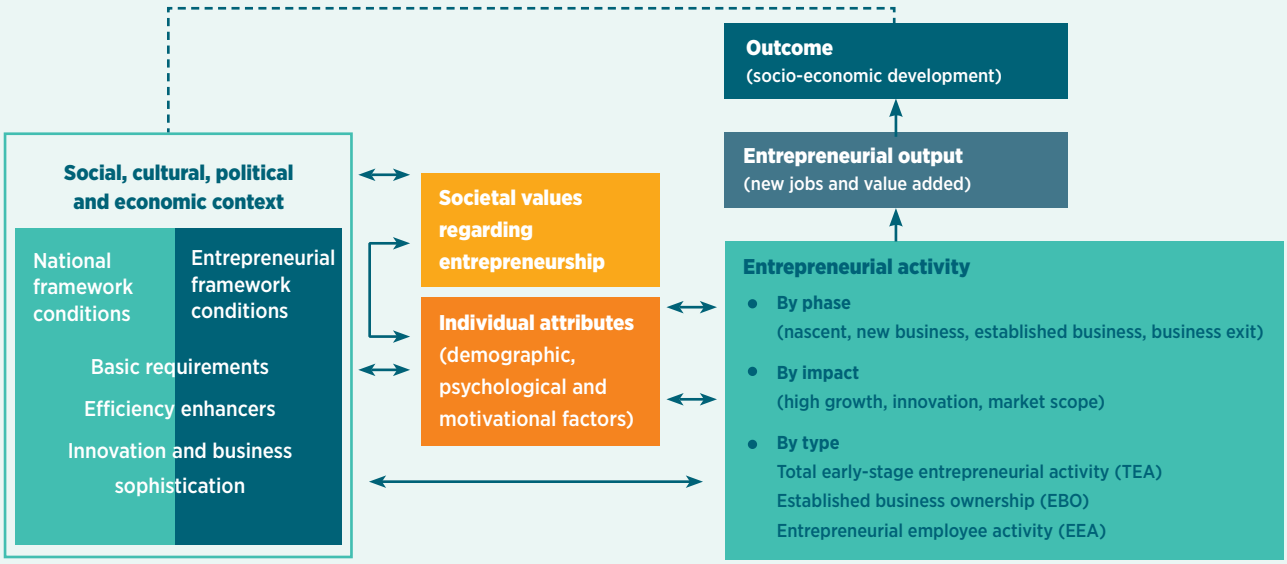
Figure 1 illustrates the conceptual framework, highlighting the main components and relationships into which which GEM divides the entrepreneurial process. It also shows the manner in which GEM classifies entrepreneurs according to their level of enterprise development.

The social, cultural, political and economic context is represented through means of the NFCs, which take into account the advancement of each society through the three phases of economic development (factor-driven, efficiency-driven and innovation-driven), and entrepreneurial framework conditions (EFCs). The latter conditions relate specifically to the quality of the entrepreneurial ecosystem and include the following: **entrepreneurial financing, government policy, government entrepreneurship programmes, entrepreneurship education, research and development transfer, commercial and legal infrastructure, internal market dynamics and entry regulations, physical infrastructure,** and **cultural and social norms**.

Entrepreneurship can broadly be defined as "any attempt at a new venture or new business creation, such as self-employment, a new business organisation or the expansion of an existing business, by an individual, a team of individuals, or an established business".[27]

27 Reynolds, P.D., Hay, M., & Camp, S.M. (1999). *Global Entrepreneurship Monitor: 1999 Executive Report.* Retrieved from https://www.gemconsortium.org/report/gem-1999-global-report

Figure 1: The GEM conceptual framework



Societal values regarding entrepreneurship

Indicators of these values include the extent to which society values entrepreneurship as a good career choice, whether or not entrepreneurs have a high societal status, and the extent to which media attention to entrepreneurship is contributing to the development of a positive entrepreneurial culture.

Individual attributes

These attributes include different demographic factors (such as gender, age and geographic location), psychological factors (including perceived capabilities, perceived opportunities and fear of failure), and motivational factors (such as necessity- versus opportunity-based ventures, and improvement-driven ventures).

Entrepreneurial activity

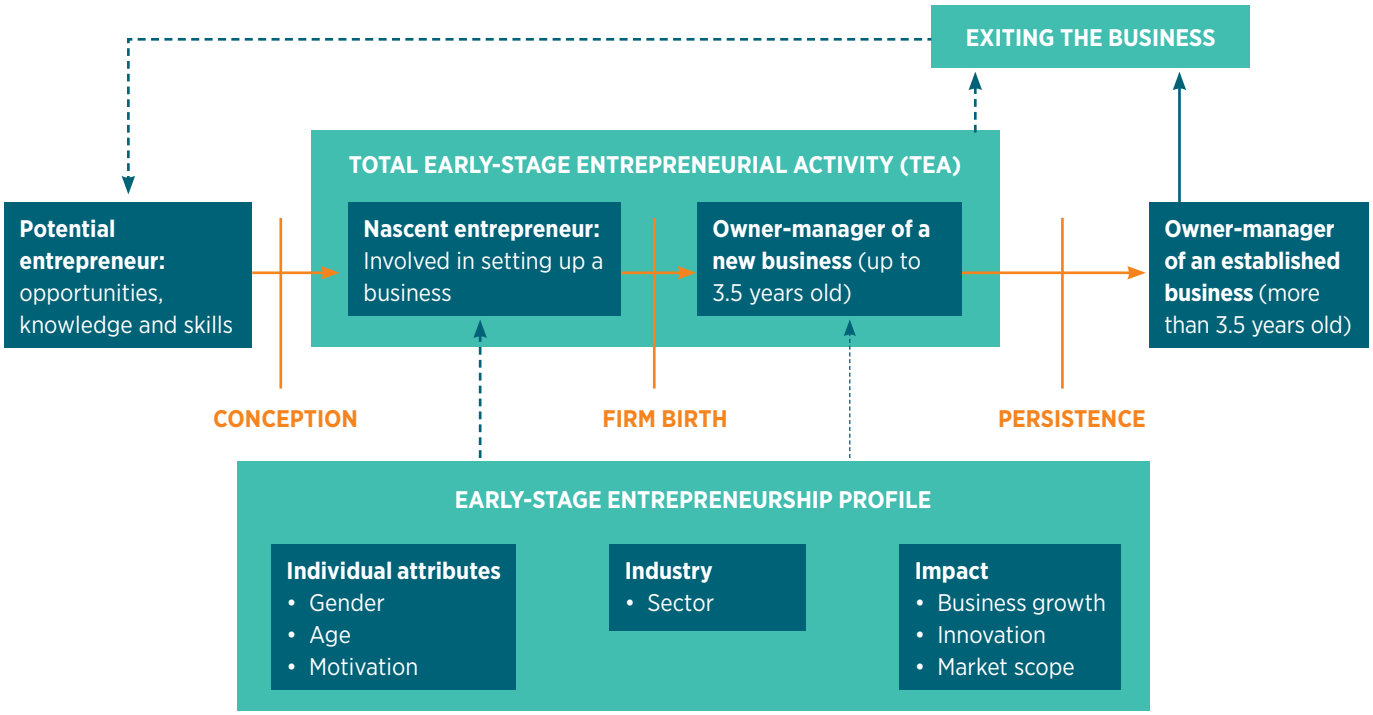
This is defined according to the phases in the life cycle of entrepreneurial ventures (nascent, new business, established business and discontinuance), according to impact (high growth, innovation and internationalisation), and by type (total early-stage entrepreneurial activity, entrepreneurial employee activity and social entrepreneurial activity).

As indicated in **Figure 1,** the framework recognises that entrepreneurship is part of a complex feedback system and it makes explicit the relationships that exist between social values, personal attributes and various forms of entrepreneurial activity. The framework also recognises that entrepreneurship can mediate the effect of the NFCs on employment opportunities.

Entrepreneurial activity is thus understood as the result of the interaction between an individual's perception of an opportunity, their capacity (motivation and skills) to act upon this opportunity, and the distinct conditions of the specific environment in which they are located. Also, while entrepreneurial activity is influenced by the NFCs of the environment in question — that is, the ecosystem in which it takes place — the activity ultimately also benefits this environment through adding social value and facilitating economic development.

Operational definitions of the phases of business development and entrepreneurial attributes are presented in **Figure 2**, with explanatory notes on **page 5**.

Figure 2: Entrepreneurial phases and GEM's entrepreneurship indicators



How do we measure entrepreneurial activity?

This report features a detailed review of GEM's key entrepreneurship indicators, with each economy receiving a ranking for every indicator. Overall, this group of indicators may be viewed as a dashboard representing a comprehensive set of measures that collectively reflect the impact entrepreneurship has on society, and the extent to which society supports entrepreneurial activity. **The following key measures are highlighted:**

We consider societal values and perceptions

Good career choice:
The percentage of the adult population who believe that entrepreneurship is a good career choice.

High status of successful entrepreneurs:
The percentage of the adult population who believe that high status is afforded to successful entrepreneurs.

Media attention to entrepreneurship:
The percentage of the adult population who believe that there is significant and positive media attention for entrepreneurship in their country.

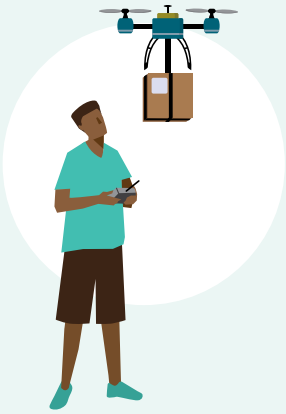
We evaluate the individual attributes of a potential entrepreneur

Perceived opportunities:
The percentage of the population aged 18–64 years who see good opportunities to start a business in the area where they live.

Perceived capabilities:
The percentage of the population aged 18–64 years who believe they have the required skills and knowledge to start a business.

Entrepreneurial intention:
The percentage of the population aged 18–64 years (excluding individuals involved in any stage of entrepreneurial activity) who are latent entrepreneurs intending to start a business within the next three years.

Fear of failure rate:
The percentage of the population aged 18–64 years perceiving good opportunities who indicate that fear of failure would prevent them from starting up a business.



We investigate the entrepreneurial activity indicators

The following indicators describe the life cycle of a venture:

Total early-stage entrepreneurial activity (TEA):
This is the percentage of the adult population who are either in the process of starting a business (a nascent entrepreneur) or owner-managers of a new business that is less than 42 months old. This indicator can be enriched by including information related to motivation (opportunity versus necessity), inclusiveness (gender and age), impact (business growth in terms of expected job creation, innovation and internationalisation), and industry (sectors).

Established business ownership rate:
The percentage of the adult population who are currently owner-managers of an established business, i.e. who own and manage a running business that has paid to them salaries, wages or any other form of payment for more than 42 months.

Business discontinuance rate: The percentage of the adult population involved in early-stage entrepreneurial activity who have, in the past 12 months, discontinued a business either by selling, shutting down or in some other way discontinuing their owner or management relationship with the business.

Two other indicators describe additional types of entrepreneurial activity:

Entrepreneurial employee activity: The percentage of the adult population who, as employees, have been involved in entrepreneurial activities such as developing or launching new goods or services, or setting up a new business unit, a new establishment or a subsidiary.

Social entrepreneurial activity: The percentage of the adult population who are engaged in early-stage entrepreneurial activities with a social goal.

We quantify the perceived quality of the entrepreneurial ecosystem

GEM assesses the prevailing NFCs and context for entrepreneurial development in each country on grounds of the NES results and other appropriate country analyses. The NES considers the nine EFCs listed below. (See **Section 3** for a detailed breakdown and explanation.)

- Entrepreneurial financing
- Government policy
- Government entrepreneurship programmes
- Entrepreneurship education
- Research and development transfer
- Commercial and legal infrastructure
- Entry regulation
- Physical infrastructure
- Cultural and social norms

The GEM methodology

GEM data are obtained using a research design that is harmonised across all participating countries. The data are gathered on an annual basis from two main sources. The key entrepreneurship indicators are measured in the **APS** and the **NES**.

The APS provides detailed information about entrepreneurial activity in a given economy. This activity does not, however, take place in isolation, but within an economic, social and political context that may either encourage and support or discourage and constrain entrepreneurial activity. To delineate and understand the country-specific context for enterprise, the APS is complemented by the NES, which is used to survey carefully selected individuals who were identified as having specific national expertise and knowledge.

About the Adult Population Survey (APS)

Academic teams in each participating economy administer and oversee this survey. The APS is conducted at the same time every year (between May and July), using a standardised questionnaire provided by the GEM global data team. The questionnaire is translated into local languages and back-translated for the purposes of a validity check.

In 2019, Nielsen South Africa was retained as the accredited vendor for conducting the APS in South Africa. The research involved 3 300 face-to-face interviews with a random selection of members of the adult population in both rural and urban areas, and across demographics.

The interviews were conducted in respondents' homes and in the preferred language of the relevant respondent, using a structured questionnaire. Households were selected using Nielsen's computerised household register of close to 6 million addresses in urban areas, and from maps in the case of rural sampling. The sample was stratified by race (within race, by gender) and by region (within region, by community size).

The individual countries only gain access to the data once the GEM global data team experts have analysed the raw data for the purposes of quality assurance and have checked the uniformity of statistical calculations. Because the GEM research design harmonises the data, it is possible to conduct reliable cross-national and intra-country comparisons over time.

About the National Experts Survey (NES)

The results of this survey provide information on the local context faced by startup entrepreneurs. It is used to gather information around the nine EFCs. NES data are collected by interviewing experts that were identified by the in-country teams. Interviews are offered in a face-to-face, telephonic or electronic format.

Experts are chosen for their depth of experience, seniority within organisations, areas of specialisation and affiliation. In some instances, the head of an institution suggests individuals they consider best positioned to provide the necessary insights for this research project.

About the expert interviews

To ensure the construction of a balanced and representative sample of experts, GEM has set a list of three criteria that must be met in their selection:

- At least four experts from each of the EFC categories must be interviewed, translating to a minimum total of 36 experts per country.
- A minimum of 25% of these experts must be entrepreneurs or business people, and 50% must be professionals.
- Additional criteria such as geographical distribution, race, gender, involvement in the public versus private sector, and level of experience are to be taken into account when balancing the sample.

About the National Entrepreneurship Context Index (NECI)

The first step in the formulation of a NES composite index was to review the recent literature on composite indices, exploring the different aspects and selecting the ones most relevant for this purpose.

It was important to solve two critical questions. The first centred on what weights could be used to measure the influence of each variable on the output. The second was how the weights can be assigned to reflect the desired importance of the relevant variable.

These questions were derived from the 36 key informants' levels of agreement with the designated framework conditions, as measured on a ten-point Likert scale. The experts also evaluated the importance scores for each statement in the index representing the extent each condition plays a key role in stimulating and supporting entrepreneurship in their country in a particular year.

The name chosen for this index is the "National Entrepreneurial Context Index" (NECI). The index is calculated based upon a typical weighted average model.

S_1 to S_{12} are the summaries applied to each block in the NES, from finance for entrepreneurs (S_1) to social and cultural norms (S_{12}). W_1 to W_{12} represent the weights of these variables in terms of the importance that expert key informants apply to the 12 framework conditions.

Each expert's ratings of the statements (re-scaled to ten points) are multiplied by their importance values. The results for all statements on each framework condition are then summed

and divided by the sum of the importance values to generate an individual weighted score. These scores are then averaged over all experts to arrive at a NECI value for each framework condition. This index was first considered in the GEM 2018/2019 Global Report.[28]

The NECI intends to fill the gap in the entrepreneurship literature by providing a single composite number that can express the average state and quality of the entrepreneurial ecosystem in any one country and compare it to other countries.

The advantage of this overall ranking is that participating countries have comparative benchmarks and information.

This provides answers to critical questions such as:

- What are the conditions that need to be prioritised for improvement? (This is particularly important in developing countries.)
- How does a given country compare to other countries of similar development and income levels and what lessons can be learned from that country?

However, before normalisation, the maximum attainable value of NECI is nine points and the minimum one. The value can, however, be normalised on a scale of 10 using the following formula:

$$\text{NECI normalised} = \frac{\text{NECI value} \times 10}{9}$$

Interpreting the NECI results

0–3

The state of the EFC is of very low quality and needs serious review.

3–5

The state of the EFC is low and the main conditions need to be reviewed.

5–7

The state of the EFC is reasonable, but policymakers need to look at those parts that are low and in need of intervention.

7–10

The state of the EFC is good, even excellent if the score is 8 points or higher.

What makes GEM unique?

We map the entrepreneurial pipeline

A key difference between GEM and most other quantitative entrepreneurial research is GEM's focus on people. Available data on companies and enterprises mostly cover the number and size of businesses, new business registrations and closures, and company revenues and profits.

GEM is one of the few studies in the world that includes primary research on individuals and their entrepreneurial aspirations, perceptions, intentions and business profiles. This creates a unique profile of entrepreneurship in a given society. The importance of this profile lies in the fact that it is the attitudes, activities and ambitions of people (together with societal perceptions and norms) that drive national entrepreneurial culture and the entrepreneurial process – from identifying new opportunities, to setting up a new business, to managing an established enterprise.[29]

Surveying individuals can also help to capture information on the informal economy, i.e. the diverse set of economic activities, enterprises and jobs that are neither regulated nor protected by the state. Some individuals who report to be working for themselves may not necessarily have a registered business, but are simply taking advantage of trading opportunities as and when they arise.[30] This informal activity is obviously not captured by official statistics, but may be a significant contributor to the national economy.[31]

GEM sees entrepreneurial activity as a continuous process rather than as individual events. For this reason, the APS is designed for the measurement and assessment of individual participation across the range of phases comprising entrepreneurial activity: potential entrepreneurship, entrepreneurial intentions, nascent and new business activity, progression into established business ownership, and business discontinuance.

This process can be viewed as a pipeline, where people participating in each phase form the base for potential advancement to the next phase.

28 Bosma, N., & Kelley, D. (2019). *Global Entrepreneurship Monitor 2018/2019 Global Report.* Retrieved from https://www.gemconsortium.org/report/gem-2018-2019-global-report

29 Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

30 Ibid.

31 A recent (October 2019) International Labour Organisation report estimated that the informal sector constituted up to 60% of total employment across the 99 countries sampled (cf. *Small Matters: Global Evidence on the Contribution to Employment by the Self-employed, Micro-enterprises and SMEs.* (2019). Geneva: International Labour Organisation). Society loses out when informal businesses do not pay taxes or comply with labour laws.

South Africa in context

HOW DO WE RANK?

On the GEM National Entrepreneurship Context Index (the NECI Index)

49th out of **54** economies

ahead of only Croatia, Guatemala, Paraguay, Puerto Rico and Iran

According to the Global Competitiveness Report 2019 South Africa's position improved

2018		2019	
67 out of	**140** economies	**60** out of	**141** economies

Certain individual rankings declined.

In the World Bank Doing Business 2020 study South Africa ranked

84th out of **190** economies with an overall doing business score of **67**

Only two African economies ranked in the top 50.

MEET THE ENTREPRENEURS

In the age group 35–44 years, entrepreneurial activity **decreased**.

Entrepreneurial activity **increased** in the age group **45–54 years.**

2017 **7.5%**

2019 **14.3%**

Ages 18–44

Total early-stage entrepreneurial activity rates across the younger age categories are **lower in South Africa** than in the African region.

Compared to other races, South Africa's white population saw the biggest increase in entrepreneurship activity between 2017 and 2019.

Distribution of entrepreneurs across industry sectors

#1 **The wholesale and retail** sector represents **46.1%** of total early-stage entrepreneurial activity

#2 **Health, education, government and social services** **16.2%**

#3 **Manufacturing** **13.1%** (up from 3.6% in 2015)

Fear of failure **49.8%** increasing steadily from 2001

Entrepreneurial intentions

Africa	South Africa
40%	11.9%

Female entrepreneurship is on the rise

Male compared to female entrepreneurial activity

2017	2019
1.52 (12.5/8.2)	1.14 (10.9/9.6)

SECTION 2

Mapping entrepreneurship in South Africa

There is a clear need to define and reflect on the current entrepreneurial landscape in South Africa. In this section, we explore everything from societal attitudes and self-perceptions regarding entrepreneurship to how the age and gender of entrepreneurs influence startups. What will it take to unleash more entrepreneurs in society? And once this force awakens, how will we support them?

In this report, the GEM team considers South Africa's entrepreneurial behaviour over several years, with a particular focus on the changes that have occurred in the last 12 months. The latter reflect and define the current entrepreneurial landscape in the country.

This longitudinal view highlights trends in entrepreneurial activity, thereby assisting stakeholders, including policymakers, in making more informed decisions about how best to support and drive entrepreneurship, and enhance SMME development.

What shapes entrepreneurship in South Africa?

Societal values regarding entrepreneurship

Societal attitudes and perceptions play a central role in shaping the entrepreneurship ecosystem and the national entrepreneurial culture. This is because entrepreneurial activities are leveraged by people living in specific cultural and social conditions.The positive or negative perceptions that a given society has about entrepreneurship have a direct influence on the entrepreneurial ambitions and influence the extent to which entrepreneurial activity is supported.

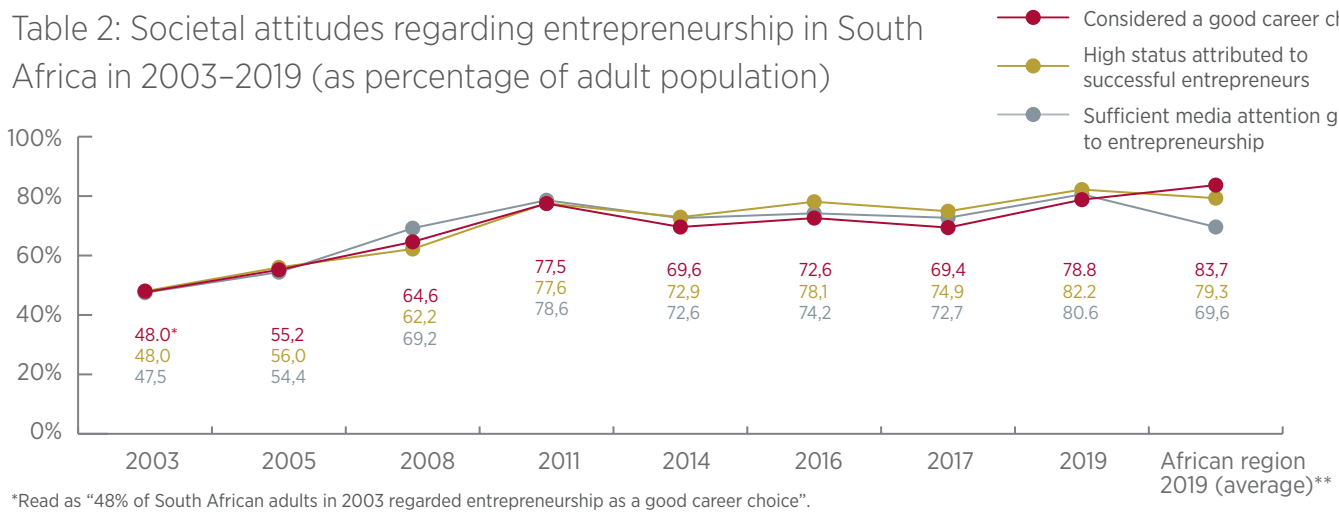
The GEM research assesses whether people think that entrepreneurship is a good career choice, whether entrepreneurs are believed to have a high status, and whether entrepreneurs garner significant levels of positive media attention.

78%

The percentage of individuals surveyed in 2019 who see entrepreneurship as a good career choice (compared to 69.4% of people surveyed in 2017).

Overall, the African region scores high on the societal values dimension, and the factors driving these scores are likely to include others than media attention alone.

Table 2: Societal attitudes regarding entrepreneurship in South Africa in 2003–2019 (as percentage of adult population)



*Read as "48% of South African adults in 2003 regarded entrepreneurship as a good career choice".
**The African region includes a limited sample of four countries: Egypt, Madagascar, Morocco and South Africa.

As can be seen from **Table 2**, societal values regarding entrepreneurship in South Africa show a very positive upward trend over the period 2003–2019. Specifically, there has been an encouraging increase from 2017 to 2019 in the number of individuals who see entrepreneurship as a good career choice (from 69.4% in 2017 to 78.8% in 2019) and consider entrepreneurship a career with high status (from 74.9% in 2017 to 82.2% in 2019).

This may partially be attributed to the significant increase in media attention (from 72.7% in 2017 to 80.6% in 2019) given to entrepreneurship. Media attention plays a vital role in positioning entrepreneurship as a good alternative to finding employment elsewhere.

Self-perceptions and intentions

The GEM conceptual framework (**Figure 1**) considers both perceptions of good opportunities for starting a business and views on having the required skills to successfully engage with these opportunities.

Views, perceptions and startups

Opportunities (or the perception of good opportunities) play an important role in determining whether an individual would even consider starting a business. The number and quality of the opportunities that people perceive to exist, and their beliefs about their own capabilities, are influenced by **external factors** in their environment, such as the prevailing economic conditions, levels and types of education, and the national entrepreneurial culture.

Another consideration to take into account in interpreting the self-perceptions of entrepreneurs is the **fear of failure**. This fear is influenced by intrinsic personality traits, societal norms and the prevailing regulatory environment. In some countries, for example, the legal and social ramifications of business failure may act as a strong deterrent, thereby reducing the pool of potential entrepreneurs.

Table 2 shows a substantial increase of 40% (from 43.2% in 2017 to 60.4% in 2019) in the number of individuals who perceive that there are good entrepreneurial opportunities in South Africa and, importantly, believe that they have the skills and capabilities necessary to start a business venture.

> This perception is vital as individuals are not likely to start a business if they think they do not have the skills necessary to be successful. A similar pattern is observed in the African region results.

However, fear of failure is high at 49.8%, shows an upward trend from 2001 and has increased significantly from 2017. This factor is likely a key deterrent for individuals to actually start a business. This is borne out by the static movement, between 2003 and 2019, in the percentage of individuals who actually intend to start a business, as is evident in **Table 3** (on entrepreneurial intention).

> In the African region in 2019, entrepreneurial intentions were more than three times higher at 40% than in South Africa (11.9%).

Total early-stage entrepreneurial activity (TEA)

A central GEM indicator is the TEA in a country as mentioned earlier. This indicator measures individuals who are participating in either the two initial processes of the entrepreneurial cycle, i.e. nascent entrepreneurs who have committed resources to starting a business but have not yet paid salaries or wages for more than three months; and new business owners who have

Entrepreneurial activity

This is the percentage of the population aged 18–64 years (excluding individuals involved in any stage of entrepreneurial activity) who are latent entrepreneurs intending to start a business within the next three years.

Potential entrepreneurs see good opportunities for starting a business, and believe that they have the necessary skills, knowledge and experience to do so. However, this does not necessarily lead to intentions or to starting a business. Individuals assess the opportunity and the costs, risks and rewards of starting a business against other employment preferences and options if these are indeed available. Also, they identify potential opportunities under the assumption that the context is one of an enabling, supportive entrepreneurial ecosystem in the context of an enabling and supportive entrepreneurial ecosystem.

moved beyond the nascent stage and have paid salaries and wages for more than three months but less than 42 months.

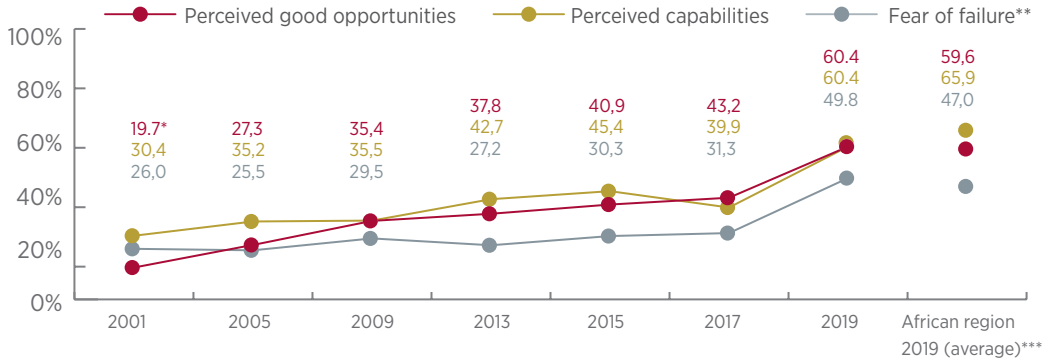
In order to provide a global perspective on South Africa's performance, **Figure 3** and **Table 6** summarise the involvement in entrepreneurial activity across all phases of the entrepreneurial process in the 50 GEM economies.

Table 5 shows that, although there was an increase in total early-stage entrepreneurial acticity in 2017, this momentum was not carried through to 2019, which showed little or no increase in TEA.

The 2019 findings on entrepreneurial intentions in South Africa are somewhat discouraging, especially given the very high rates of underemployment and unemployment in the country

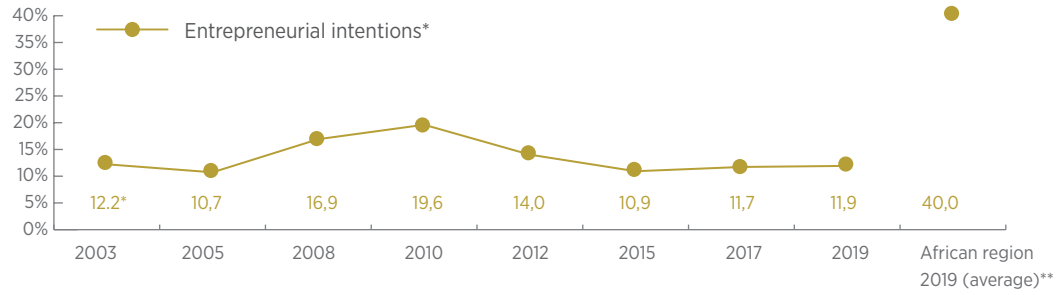
Under the prevailing employment crisis, one would expect more people to be seriously considering starting their own businesses as a means of gaining meaningful employment.

Table 3: Entrepreneurial perceptions and competencies in the South African adult population in 2001–2019 (as percentage of adult population)



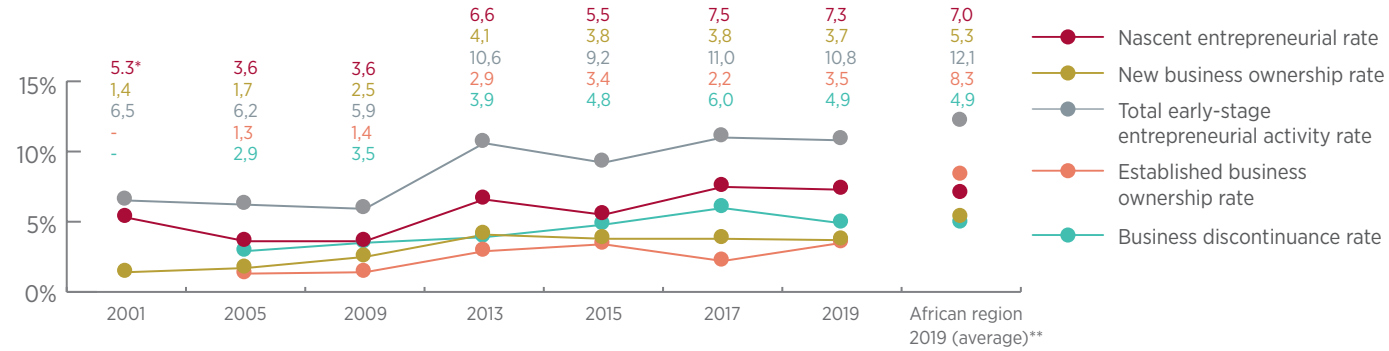
*Read as "19.7% of South African adults in 2001 perceived good entrepreneurial opportunities in their area".
**Percentage of the adult population who perceive good opportunities, but would not start a business due to fear of failure.
***The African region includes a limited sample of four countries: Egypt, Madagascar, Morocco and South Africa.

Table 4: Entrepreneurial intentions in South Africa in 2003–2019 (as percentage of adult population)



*Read as "12.2% of South African adults who, at the time of the survey, were not involved in entrepreneurial activity, but had entrepreneurial intentions for the future".
**The African region includes a limited sample of four countries: Egypt, Madagascar, Morocco and South Africa.

Table 5: Prevalence rates of entrepreneurial activity among the adult population in South Africa in 2001–2019 (as percentage of adult population)

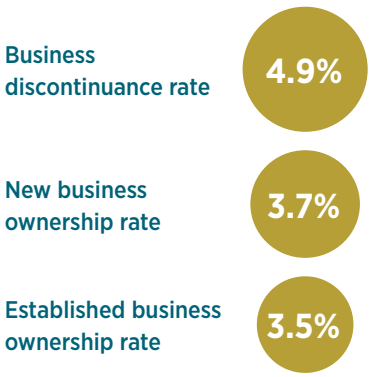


*Read as "5.3% of entrepreneurs in 2001 were engaged in nascent entrepreneurial activity".
**The African region includes a limited sample of four countries: Egypt, Madagascar, Morocco and South Africa.

At 10.8%, South Africa's TEA rate was below the average of 12.1% for the African region in 2019.

The business discontinuance rate (4.9%) was higher than the established business ownership rate (3.5%) in 2019. This is concerning as it implies that there are more businesses being closed, sold or otherwise discontinued than there are businesses being continued.

These findings indicate a minimal contribution by entrepreneurs and small, medium and micro enterprises (SMMEs) to GDP growth, which already sees downgraded forecasts for 2020 of less than 1.0%.

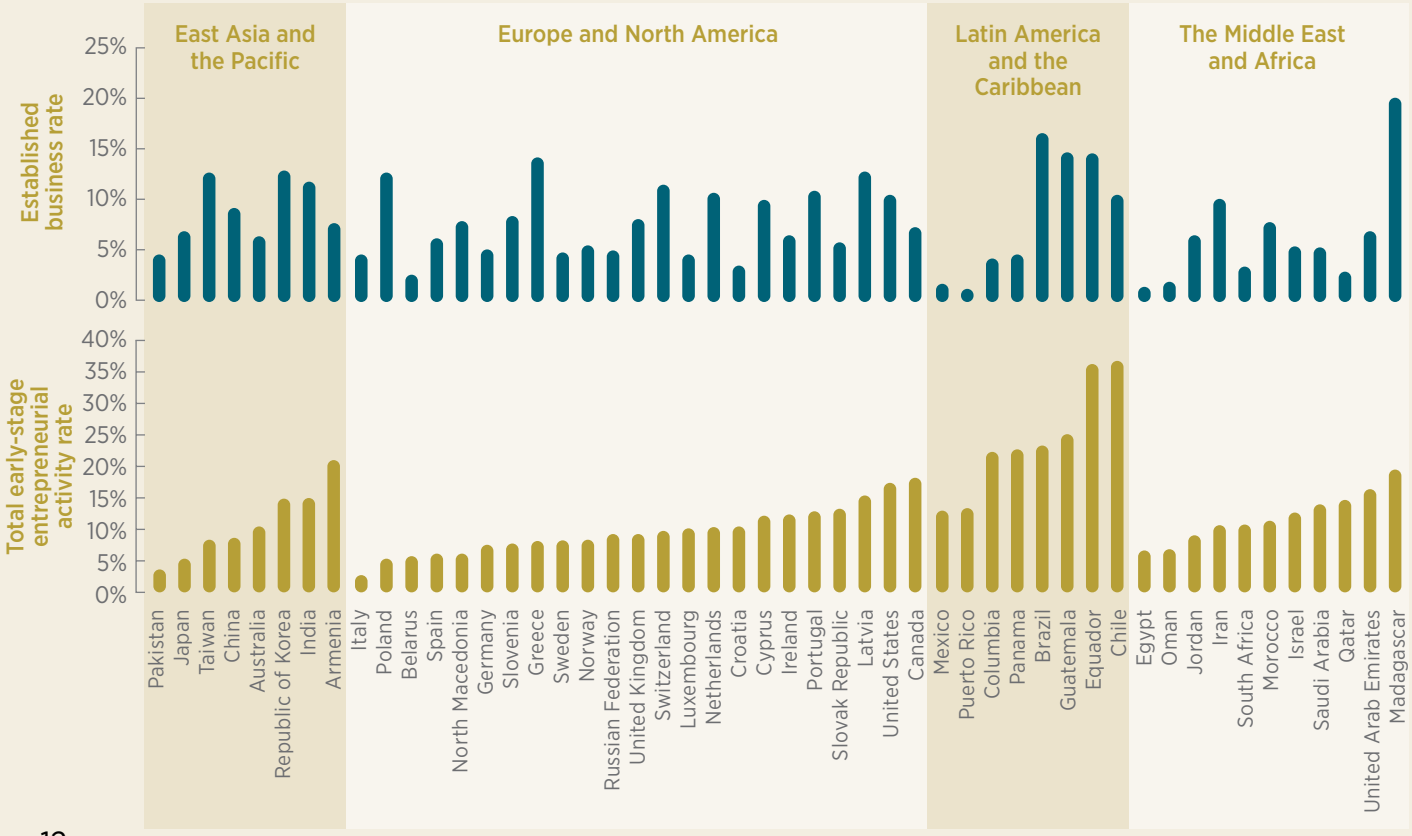


A global perspective

In order to provide a global perspective on South Africa's TEA rate performance, **Figure 3** and **Table 6** summarise the involvement in entrepreneurial activity across all phases of the entrepreneurial process in the 50 GEM economies, categorised by region and specific economy.

Note: Table 6 shows that although the established business ownership rate has increased from 2.2% in 2017 to 3.5% in 2019, it is still far below the average for the overall African region and for developing countries in Latin America.

Figure 3: Total early-stage entrepreneurial (TEA) activity and established business ownership rates (as percentage of adult population)[32]



32 Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

Established business ownership rate

This is the percentage of the adult population who are owners or managers of businesses that have been in operation for more than 42 months.

Why does it matter? Information on the number of established businesses in an economy is important as it provides some indication of the sustainability of entrepreneurship in that economy. These businesses have moved beyond the nascent and new business phases and are able to contribute to a country's economy through the ongoing introduction of new products, services and processes, through innovation and through the provision of a more stable base of employment.

Table 6: Ranking of types of entrepreneurial activity, by region, as per the GEM 2019 report (as percentage of adult population)

Region	Economy	Nascent entrepreneurship rate		New business ownership rate		Early-stage entrepreneurial activity rate (TEA rate)		Employee entrepreneurship activity rate		Established business ownership rate		Business discontinuance rate	
		Score	Rank/50	Score	Rank/50	Score	Rank/50	Score	Rank/50	Score	Rank/50	Score	Rank/50
Africa	Egypt	5.0	37	1.8	48T	6.7	43	0.2	47T	1.5	49	8.6	7
	Madagascar	8.4	17T	11.4	3	19.5	8	0.6	38T	20.2	1	3.4	31T
	Morocco	7.3	22	4.4	22	11.4	24	0.3	46	7.9	22	2.8	39
	South Africa	7.3	21T	3.7	31T	10.8	25	0.4	44T	3.5	44	4.9	21T
Average		7.0		5.3		12.1		0.4		8.3		4.9	
Asia and Oceania	Armenia	14.1	5	7.4	10	21.0	7	0.6	38T	7.8	23	6.4	13
	Australia	5.8	30	5.1	17	10.5	27T	8.3	1	6.5	29	4.5	24
	China	5.3	34T	3.6	33T	8.7	35	0.2	47T	9.3	18	7.5	10
	India	9.4	14	5.9	14T	15.0	13	0.2	47T	11.9	10	5.0	19T
	Iran	6.9	26T	4.1	27T	10.7	26	2.0	25	10.2	16	7.0	11
	Israel	8.8	16	4.2	25T	12.7	21	5.8	12	5.5	33	5.3	17
	Japan	3.3	45	2.1	47	5.4	47T	1.9	26T	7.0	25T	1.1	49
	Jordan	5.7	31	3.5	36T	9.1	34	0.7	36T	6.6	27T	10.5	3
	Oman	3.9	42	3.1	41T	6.9	42	1.2	34	2.0	47	15.5	1
	Pakistan	1.1	50	2.5	45	3.7	49	0.5	42T	4.7	38T	4.9	21T
	Qatar	10.9	9	4.1	27T	14.7	15	3.6	18T	3.0	45	9.1	5
	Saudi Arabia	5.4	33	8.6	6	14.0	16	3.2	20	5.4	34	8.9	6
	South Korea	7.1	24	8.2	7	14.9	14	1.4	31T	13.0	6	3.1	36
	Taiwan	3.6	43T	4.9	18	8.4	36T	2.3	23	12.8	8T	2.7	40
	United Arab Emirates	9.8	12T	7.1	12	16.4	11	8.2	2	7.0	25T	10.6	2
Average		6.7		5.0		11.5		2.7		7.5		6.8	
Europe	Belarus	3.0	46	2.8	43	5.8	46	0.5	42T	2.7	46	1.7	47
	Croatia	7.0	25	3.5	36T	10.5	27T	5.9	11	3.6	43	3.6	29
	Cyprus	7.9	20	4.6	21	12.2	23	6.2	9	10.1	17	2.6	41T
	Germany	5.3	34T	2.6	44	7.6	41	6.3	8	5.2	35	3.4	31T
	Greece	4.6	39T	3.8	29T	8.2	39	1.9	26T	14.3	5	2.5	44
	Ireland	8.4	17T	4.3	23T	12.4	22	7.5	4	6.6	27T	4.1	26
	Italy	1.2	49	1.6	50	2.8	50	0.7	36T	4.7	38T	0.8	50
	Latvia	10.5	11	5.3	16	15.4	12	4.3	16	12.9	7	3.5	30
	Luxembourg	7.2	23	3.4	38T	10.2	30	6.7	6	4.7	38T	4.7	23
	Netherlands	5.6	32	4.8	19T	10.4	29	6.0	10	10.8	13	2.6	41T
	North Macedonia	2.1	48	4.3	23T	6.2	44T	1.6	30	8.0	21	3.8	28
	Norway	4.9	38	3.6	33T	8.4	36T	2.6	22	5.6	32	2.6	41T
	Poland	3.6	43T	1.8	48T	5.4	47T	1.7	28T	12.8	8T	3.2	35
	Portugal	6.9	26T	6.0	13	12.9	20	4.1	17	11.0	12	3.0	37T
	Russia	4.6	39T	4.8	19T	9.3	32T	0.6	38T	5.1	36	3.4	31T
	Slovakia	9.2	15	4.2	25T	13.3	18	3.1	21	5.9	31	4.0	27
	Slovenia	4.4	41	3.6	33T	7.8	40	7.0	5	8.5	19	1.9	46
	Spain	2.4	47	3.8	29T	6.2	44T	1.7	28T	6.3	30	1.6	48
	Sweden	5.1	36	3.3	40	8.3	38	5.2	15	4.9	37	5.0	19T
	Switzerland	6.2	29	3.7	31T	9.8	31	5.4	13T	11.6	11	3.0	37T
	United Kingdom	6.5	28	3.1	41T	9.3	32T	8.1	3	8.2	20	3.4	31T
Average		5.5		3.7		9.2		4.1		7.8		3.1	
Latin America and the Caribbean	Brazil	8.1	19	15.8	1	23.3	4	0.6	38T	16.2	2	6.1	14
	Chile	26.9	1T	11.0	4	36.7	1	3.6	18T	10.6	14T	8.3	9
	Colombia	15.3	4	7.3	11	22.3	6	0.9	35	4.3	42	5.6	16
	Ecuador	26.9	1T	10.8	5	36.2	2	1.3	33	14.7	4	9.2	4
	Guatemala	11.2	8	14.6	2	25.1	3	1.4	31T	14.8	3	6.0	15
	Mexico	9.8	12T	3.4	38T	13.0	19	0.2	47T	1.8	48	4.3	25
	Panama	15.5	3	7.5	9	22.7	5	0.4	44T	4.7	38T	6.5	12
	Puerto Rico	11.3	7	2.2	46	13.4	17	2.1	24	1.3	50	2.2	45
Average		15.6		9.1		24.1		1.3		8.5		6.0	
North America	North America	10.8	10	8.0	8	18.2	9	5.4	13T	7.4	24	8.4	8
	United States	11.8	6	5.9	14T	17.4	10	6.5	7	10.6	14T	5.1	18
Average		11.3		7.0		17.8		5.9		9.0		6.8	

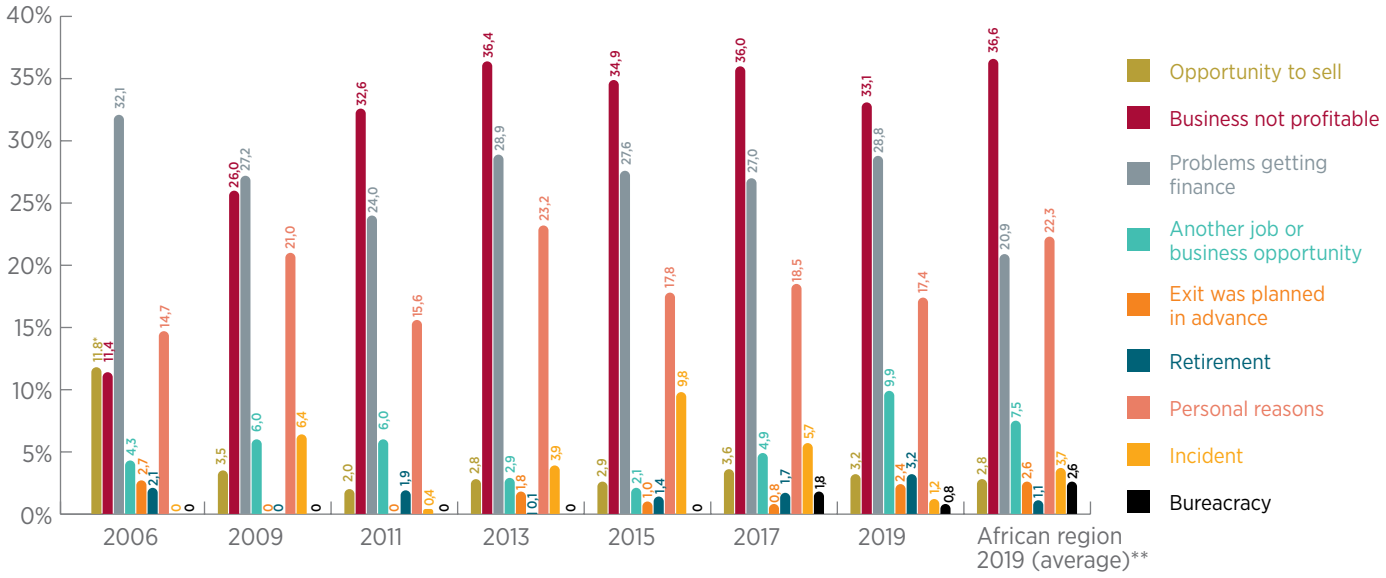
Sustainability of entrepreneurship

Open or closed for business?

The **business discontinuance** rate captures the percentage of the population aged 18–64 years who have exited a business in the past 12 months, either by selling, shutting down or otherwise discontinuing an owner or management relationship with that business. This rate is an indicator of the sustainability of entrepreneurship in the given economy. As can be seen from **Table 7**, the business discontinuance rate has decreased from 6.0% in 2017 to 4.9% in 2019, but is still higher than the established business rate of 3.5%, confirming that there are more businesses are being closed than there are being started.

Although South Africa does not have a shortage of good ideas and innovations, the market and consumers are increasingly expecting goods and services with tangible and differentiated benefits, coupled with competitive pricing. In the digital economy, consumers also have access to masses of information and can base their choices on informed comparisons, putting pressure on entrepreneurs to constantly compete and innovate.

Table 7: Reasons for business exits in South Africa in 2006–2019
(as percentage of entrepreneurs who exited a business in the previous year)



Read as "11.8% of total early-stage entrepreneurs who exited their business in 2005, did so because of an opportunity to sell.

Note: The discontinuance rate in South Africa (4.9%) is on par with that in the African region, but the average established business ownership rate is considerably higher in the rest of the region at 8.3% versus 3.5% in South Africa.

Why exit?

People exit businesses for a variety of reasons, some of which are positive, such as an opportunity to sell, the pursuing of another opportunity, or planned retirement.

Exits also come about due to a lack of business profitability, problems with accessing funding, and lack of working capital. Indeed, in 2019, the main reasons were that business owners could either not get **access to finance**, or they **could not make a profit**, as shown in **Table 7**.

Profitability challenges are likely due to several factors which could include a poor business idea; the lack of the requisite business knowledge, skills and training; uncompetitive products and services; and a lack of access to markets.

Meet South Africa's entrepreneurs

The entrepreneur's profile

GEM considers demographic characteristics to better understand entrepreneurship influences across age, race, gender and educational levels; these characteristics are used together with industry sector analysis, job creation and innovation.

Documenting these characteristics provides sharper insights into the total entrepreneurial ecosystem and enables stakeholders and policymakers to focus on planning effective, directed interventions to increase entrepreneurial participation levels and productivity, and to support small business development in the economy.

In the African region, the percentages of early-stage entrepreneurial activity are higher than those in South Africa across the younger age categories (18–44 years).

Age

Middle age is increasingly good for business

The **influence of age** on entrepreneurial activity is consistent over time and similar throughout the GEM global research network, with the highest prevalence of entrepreneurial activity being among individuals aged 25–34 and 35–44 years, across all three business development phases.[33]

In the cohort aged 25–34, individuals may not yet be fully established in a career with high earnings (i.e. they have less opportunity costs) or they may have fewer financial obligations such as families to support and loans to repay (i.e. their risks are lower).

Higher participation rates among those in their early to mid-careers could be attributed to the fact that these individuals have had time to develop their knowledge and skills through education as well as through work experience, and thereby build confidence in their own abilities. The accumulation of other resources such as social and professional networks, personal savings and access to other sources of finance are also beneficial factors.

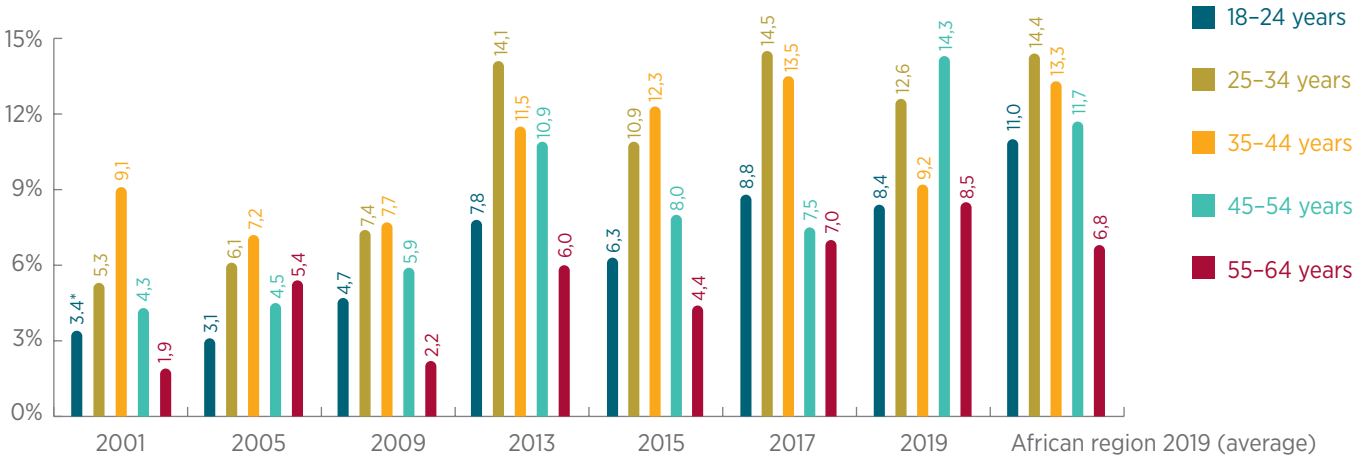
Table 8 shows that there has been a shift in early-stage entrepreneurial activity between the different age categories.

Entrepreneurial activity has almost doubled from 7.5% in 2017 to 14.3% in 2019 in the age group 45–54 years, but has decreased in the age bracket 35–44. Further research as to why this is happening should be conducted as it constitutes an important shift in age dynamics.

A further research area of interest is how the development of the **digital economy** may significantly increase entrepreneurial activity in the 18–24 years age group.

33 Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

Table 8: Total early-stage entrepreneurial (TEA) activity in South Africa in 2001–2019, by age group (as percentage of adult population)



*Read as "3.4% of adults between 18 and 24 years were involved in total early-stage entrepreneurial activity in 2001".

The high cost of being jobless

The economic and social costs of unemployment and widespread low-quality jobs are of considerable concern, especially so when it comes to the youth.

South Africa's unemployment rate, now at 29.1%, is at its highest level in 11 years (38.5% if one uses the expanded definition of unemployment which includes people who have stopped looking for work). The youth (aged between 15 and 24 years) remains the most vulnerable group, with an unemployment rate of 58.2%. The implications, in a worst-case scenario, could be that some young South Africans may never experience employment during their lifetime. This would be a huge waste of potential human resources and talent.

The two primary reasons for South Africa's extraordinary levels of unemployment are the underperformance of the economy over the past decade and an education system that does not, at the school level, prepare young people adequately for the realities of the labour market. Many school leavers do not have the requisite numeracy and literacy skills to participate meaningfully in the economy. The exponentially evolving technologies in the digital economy are likely to only widen this gap. For more insights on this topic, see **Section 4** of this report.

Gender and race

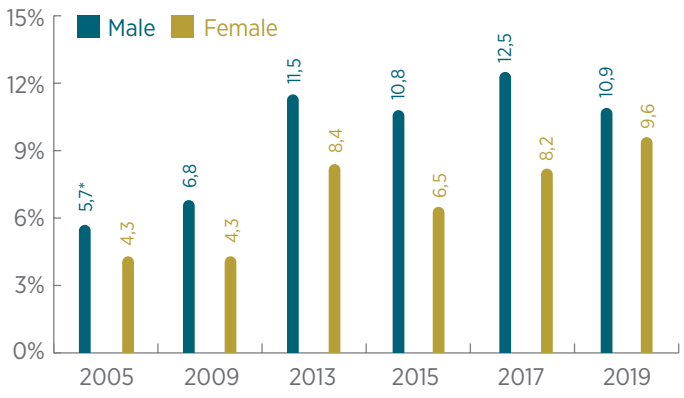
It's (still) a man's world

Previous GEM reports have shown that although the ratio of male to female participation in total early-stage entrepreneurial activity varies considerably across the total global sample of economies, reflecting differences in local conditions, men are more likely to be involved in entrepreneurial activity, in all subsequent phases of entrepreneurial development throughout the intrapreneurial pipeline. There are exceptions to this rule, but what is important to appreciate is that **studies have shown that women face far greater difficulties in becoming entrepreneurs than do men.**[34]

Factors that may influence women entrepreneurs are lower educational levels in many countries; reduced access to business education and experience, capital and assets, and business support services and mentors; fewer business-oriented networks; various societal norms and expectations; and discrimination and bias.

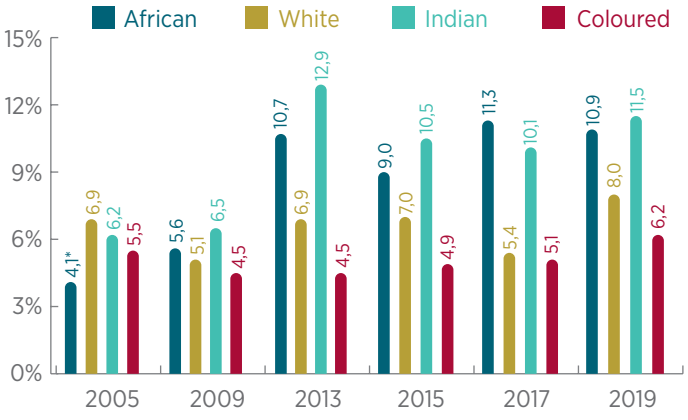
Table 9 shows that the ratio of male to female entrepreneurial activity has changed from 1.52 (12.5/8.2) in 2017 to 1.14 (10.9/9.6) in 2019, indicating that female entrepreneurship appears to be on the rise. Women make up more than 50% of the adult population in South Africa and this ratio should ideally reflect this.

Table 9: Total early-stage entrepreneurial activity (TEA) in South Africa in 2005–2019, by gender (as percentage of adult population)



*Read as "5.7% of adult men were engaged in early-stage entrepreneurial activity in 2005".

Table 10: Total early-stage entrepreneurial activity (TEA) in South Africa in 2005–2019, by race (as percentage of adult population)



*Read as "4.1% of adult Africans were engaged in early-stage entrepreneurial activity in 2005".

34 A 2019 (unpublished) study on women- and youth-owned small businesses in South Africa, commissioned by Seda in partnership with the Department of Small Business Development, highlights the key challenges female entrepreneurs face.

Table 10 shows that, when comparing race, South Africa's white population has seen the biggest increase in entrepreneurship activity between 2017 and 2019.

Level of education

Education for enterprise

GEM's research has consistently shown that there is a correlation between a person's **level of education** and their ability to start and maintain a business beyond the nascent stage of development. Also, the likelihood of entrepreneurs perceiving that they have the necessary skills for running a successful business increases with level of education.

In all countries, an educated population with the requisite knowledge and skills, and with a capacity for innovation, has proven vital to driving competitiveness, productivity and sustainable growth.

Table 11 shows that, from 2017 to 2019, there was a significant drop in education completion beyond the primary education level. This finding is extremely concerning as primary education level amongst total early-stage entrepreneurs is vital for any developing nation.

South Africa has one of the highest education budgets by population amongst developing countries, yet the education system continues to underperform. Key education system challenges are elevated school dropout rates (with just over half of all learners failing to complete their high school education), as well as poor-quality mathematics education and pass rates. Both of these trends are likely to exacerbate unemployment and create barriers to the youth participating in economic development opportunities in the country.

> A long-term strategy to find solutions to South Africa's education system challenges is crucial. If the school curriculum and learning systems are not drastically overhauled to meet the needs of a modern and rapidly evolving society, active participation by the youth in the economy will continue to be limited and may even deteriorate.

Tertiary education also has its challenges, particularly in terms of its relevance in a context where the nature of work and employment is rapidly evolving. Academic and technical skills need to be aligned with employment market realities and opportunities. They should furthermore be geared towards building capabilities that not only allow the youth to find employment, but also be prepared for the possibility of creating entrepreneurial activities, their own employment and employment for others.

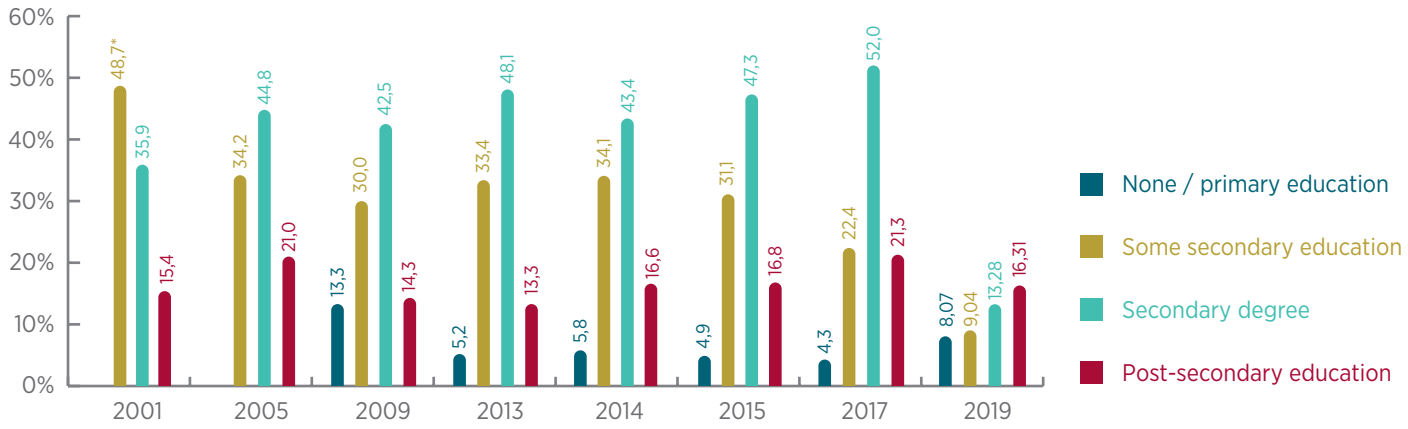
Next step: GEM South Africa will develop a more in-depth study of this phenomenon in 2020/2021.

Minding the education gap

The Global Competitiveness Index report of 2019/2020 shows that education in South Africa is on a downward trajectory with the country ranking 119 out of 141 countries in terms of quality of education offered.

In the 2017/2018 report, South Africa was ranked 128 out of 137 countries in terms of the quality of maths and science education. Unless this situation improves, it will continue to have a dramatic impact on levels of entrepreneurial activity in the future.

Table 11: Educational levels of early-stage entrepreneurs in South Africa in 2001–2019 (as percentage of adult early-stage entrepreneurs)



*Read as "48.7% of adult early-stage entrepreneurs in 2001 had some secondary education".

The impact of entrepreneurs

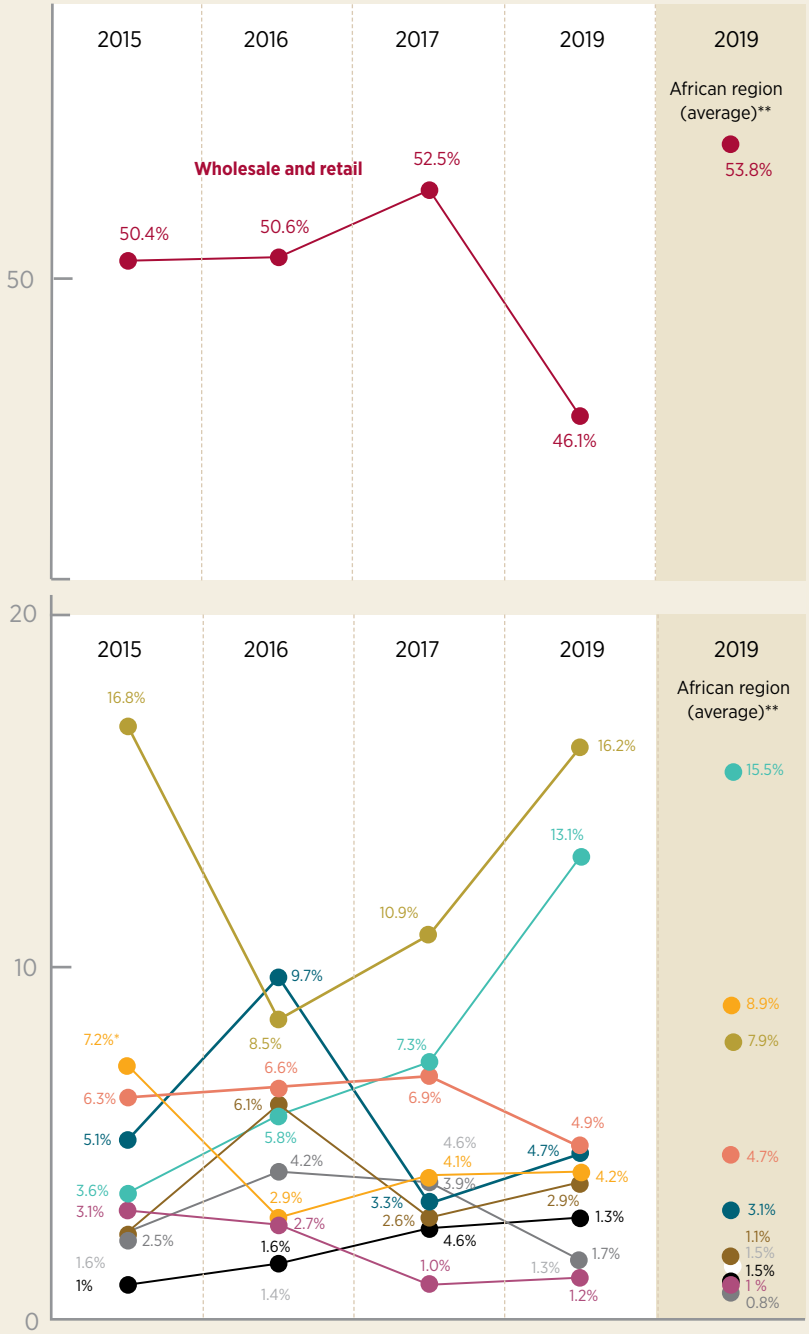
- on industry sectors

Entrepreneurs are involved in a variety of industry sectors, with different levels of activity in each. GEM evaluates the intensity of entrepreneurship activity in the top ten industries. For the purposes of the 2019 study, the industry sectors from 2017 were repeated, but they could be re-evaluated going forward as industry sectors and sector boundaries are evolving rapidly. The industry sectors are as shown in **Table 12**.

In South Africa, the **wholesale and retail sector** represents almost half (46.1%) of all early-stage entrepreneurship activity (down from 50.4% in 2015), with the **manufacturing sector** growing significantly since 2015 (3.6%-13.1%).

Note: The results for the overall African region are similar to those for South Africa, except for significantly more entrepreneurial activity in the agriculture and wholesale and retail sectors and, surprisingly, in the manufacturing sector (2.4% higher).

Table 12: Distribution of total early-stage entrepreneurial activity (TEA) across sectors in South Africa in 2015–2019 (as percentage of adult population)



*Read as "7.2% of total early-stage entrepreneurial activity in 2015 was in the agricultural sector".
**The African region includes a limited sample of four countries: Egypt, Madagascar, Morocco and South Africa.

The prominence of the **wholesale and retail sector** in total early-stage entrepreneurship activity specifically is not surprising as the barriers to entry in terms of skills and capital are comparatively low. This sector is highly over-traded and extremely price competitive, which results in many startups in the sector ultimately failing. Furthermore, this sector is dominated by a few large retailers who have the buying power to purchase at highly competitive rates, making it difficult for smaller entrepreneurs to compete and survive.

This sector emphasis partially accounts for the differences between the rate of early-stage entrepreneurship, the low rate of established businesses and the high rate of discontinuance in the South African entrepreneurial ecosystem.

The industry sector with the second-highest level of entrepreneurial activity is **health, education, government and social services** at 16.2%, followed by **manufacturing** at 13.1%. It is especially encouraging that entrepreneurship in the manufacturing sector has been steadily increasing over the years (growing from 3.6% in 2015 to 13.1% in 2019) as this sector holds the greatest potential to accelerate job creation.

Sectors that need urgent stimulation are information and communication technology (including biotechnology) and professional services, both of which require high levels of knowledge and skills. The onus is on the education system as feeder system to better build individuals' capabilities for participation in these and other emerging sectors.

- on job creation

Entrepreneurship activity aims to create value for its founders, partners and investors, but is also a potentially great employment creator. It is important to track and understand the extent to which entrepreneurs and small businesses actually contribute to employment creation.

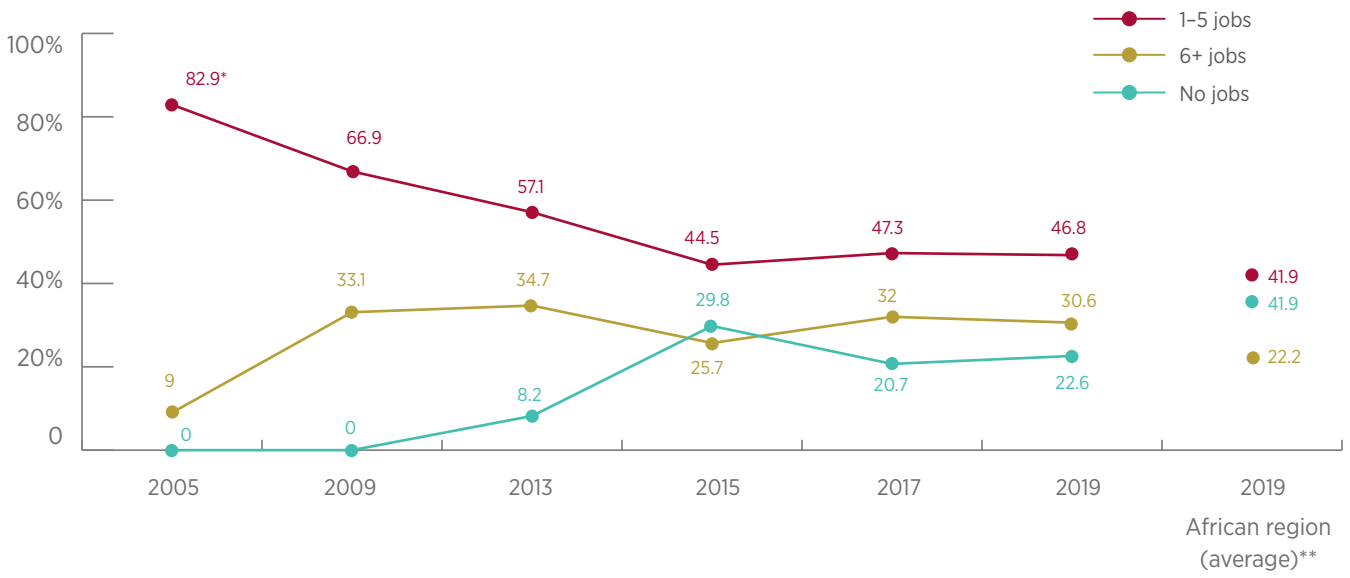
GEM's research asks early-stage entrepreneurs how many employees (other than the owners) they currently have and how many they expect to have in the next five years. The difference between these two numbers indicates growth expectations.

The GEM global research results of 2019/2020 show that the majority of entrepreneurs in the low-income countries do not expect to create any jobs in the next five years.

Table 13 shows that there has been little change between 2015 and 2019 in the percentage of entrepreneurs in South Africa who believe that they will create zero jobs over the next five years. Similarly, expectations of creating one to five or more jobs have also not changed during this period. These findings are particularly relevant in the context of high levels of unemployment in the country.

Job creation expectations are even lower in the African region. This signals a need for entrepreneurship activities to be sustainable and show growth in order to create more jobs than is currently expected.

Table 13: Job growth expectations among total early-stage entrepreneurs in South Africa in 2005–2019 (as percentage of adult population)



*Read as "82.9% of total early-stage entrepreneurs in 2005 expected to create between one and five jobs in the following five years".
**The African region includes a limited sample of four countries: Egypt, Madagascar, Morocco and South Africa.

Mapping interventions and innovation to support entrepreneurs

Across the globe

Policymakers could well learn from interventions in other countries to stimulate SMME growth. A series of policy briefs published in 2017 by GEM Global illustrated positive interventions introduced in different countries around the world, all of which have had a significant impact on entrepreneurial activity and SMME development.[35] Examples of country initiatives and key intervention themes are shown in **Table 14** below.

Local efforts

- Seda for change

Seda provides business development and support services for small enterprises through its national network. The agency also implements programmes targeted at business development in areas prioritised by the government.

A key challenge for the delivery of Seda services is that the existing services vary considerably in depth and quality across the entrepreneurial ecosystem.

Table 14: Policy interventions in support of entrepreneurship in various countries

Argentina Compelling banks to lend to SMMEs	**Australia** Helping the unemployed to start businesses	**Brazil** Nurturing innovation in remote regions	**Bulgaria** Kick-starting risk financing for SMMEs
Burkina Faso Boosting youth entrepreneurship	**Cameroon** Encouraging entrepreneurship in agriculture	**Canada** Offering technology vouchers to SMMEs	**Chile** Tax incentive to promote innovation
China Mass entrepreneurship and innovation	**Guatemala** Making it easier to register a business	**Macedonia** Entrepreneurship education	**Norway** Tax incentives for research and development
Peru Nurturing high-growth entrepreneurs	**Romania** Financing first-time entrepreneurs	**Slovenia** Building the startup ecosystem from the bottom up	**Sweden** Tax incentives for private investors to fund entrepreneurs
Turkey Promoting angel investing	**Uruguay** Supporting innovative entrepreneurs	**Vietnam** Easing business regulations	

In recent times, however, Seda has cemented its status as a leading facilitator of business development support services in the ecosystem, while simultaneously establishing long-term relationships with clients.

Services are delivered in collaboration with external business development service providers to drive a shared client journey model for the delivery of business development support services.

Seda has re-focused its efforts to align with the following strategic themes:

- increasing service delivery,
- improving operational excellence, and
- increasing stakeholder partnering.

Since 2016, GEM SA has included questions in its APS survey on how widely Seda was used and known and on the effectiveness of the programmes they deliver. These being:

- Are you aware of or familiar with Seda and its offerings and services?
- What are the most important non-financial development support strategies or services you would recommend to government agencies such as Seda they should provide?
- What is the most important non-financial improvement measure government agencies such as Seda should implement to stay relevant and useful to its existing and future clients? (Options provided.)

These questions were changed slightly in the 2017 and 2019 versions of the APS to read as follows:

- Do you know the names of any government initiatives that have been set up to assist small businesses?

What government programmes have you used? For example:

- National Youth Development Agency (NYDA)
- Small Enterprise Finance Agency (Sefa)
- Small Enterprise Development Agency (Seda)
- Industrial Development Corporation (IDC)
- Technology and Innovation Agency (TIA)
- National Empowerment Fund (NEF)
- Department of Trade, Industry and Economic Development (dti)
- Other
- For each government agency you have used, how effective do you believe their assistance was?

Table 15 compares the results of the 2017 survey to those obtained in 2019 to ascertain any differences and improvements in respondents' awareness of the services offered by Seda.

Over the course of the two years, there was a marked increase in the awareness of Seda in the 18–24 years and the 25–34 years

35 Herrington, M. (2017). *Global Entrepreneurship Monitor: Policy Briefs 2017.* Retrieved from https://gemconsortium.org/report/gem-2017-policy-briefs

age groups. On the other hand, the 35–44 years age group showed a significant decline in awareness. This suggests that Seda is best positioned in the younger age groups.

Table 16 shows that the highest awareness of Seda is found in Gauteng and that this awareness increased from 2017 to 2019. This increase may well be due to the fact that Seda's head office is in Gauteng and that the agency may therefore be most active in this province. Awareness of Seda remains relatively low in the other provinces. It has also not increased between 2017 and 2019 in these provinces where Seda's impact and support are likely most needed.

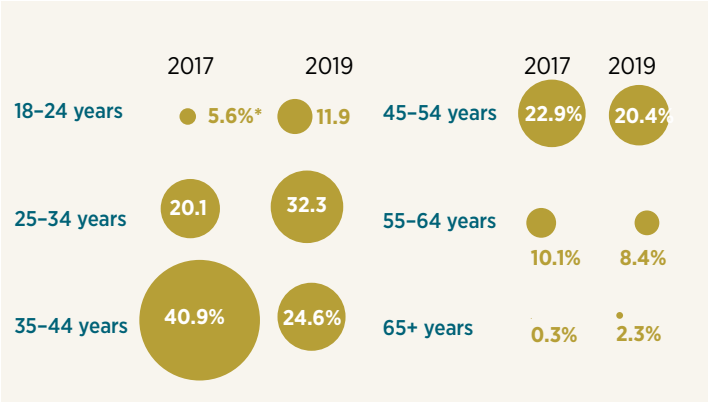
Next steps: It is recommended that Seda creates an overall strategy to boost awareness of their agency nationally, develop active campaigns in the provinces other than Gauteng, and prioritise the latter according to the relevant results of the 2019 GEM study.

Table 17 shows the frequency of use and perceived effectiveness of key government initiatives. Respondents were asked which government agencies they had used and which ones were the most effective in assisting them as entrepreneurs.

From the results, it is clear that **less than one in every five respondents used the listed government agencies**. This is a very low engagement level and needs to be better understood. These agencies are key to driving entrepreneurial support and activity in South Africa but cannot do so if they are not visible to and engaged with potential entrepreneurs.

The table also shows that only 21.4% of the respondents surveyed used Seda services and that 44.3% of those who did found them to be somewhat effective to very effective. Although this is encouraging, targets should be set to achieve higher levels of effectiveness and impact.

Table 15: Knowledge of Seda in 2017 and 2019, by age group (as percentage of adult population)



*Read is "5,5% of the adult population (aged 18-64 years) are familiar with Seda.

Table 16: Knowledge of Seda in 2017 and 2019, by region (as rated by the adult population)

Region	2017	2019
Urban	72.2	
Rural	27.8	
Gauteng	33.5*	37.9
KwaZulu-Natal	18.5	17.0
Western Cape	8.9	7.5
North West Province / Northern Cape	9.6	4.9
Eastern Cape	15	14.9
Limpopo / Mpumalanga	5.8	4.8
Free State	8.6	13

*Read as "33.5% of adults in Gauteng were familiar with Seda in 2017".

Table 17: Effectiveness of government agencies in assisting small businesses in South Africa in 2019 (as percentage of adult population)

Agency	Used		Effectiveness				
	Yes (%)	No (%)	Completely ineffective (%)	Somewhat ineffective (%)	Average (%)	Somewhat effective (%)	Very effective (%)
National Youth Development Agency (NYDA)	20.1*	79.9	20.6*	6.9	32.9	10.6	28.9
Small Enterprise Finance Agency (Sefa)	22.0	78.0	17.9	10.5	24.7	23.2	23.7
Small Enterprise Development Agency (Seda)	21.4	79.3	19.5	15.2	21.0	11.6	32.7
Industrial Development Corporation (IDC)	18.1	81.9	15.2	19.2	25.6	13.2	26.8
Technology and Innovation Agency (TIA)	20.8	79.2	16.7	13.6	31.6	13.1	25.0
National Empowerment Fund (NEF)	17.7	82.3	11.4	22.1	33.0	17.4	16.1
Department of Trade and Industry (Dti)	20.7	79.3	10.2	8.3	31.0	7.6	42.9
Department of Economic Development and Tourism (DEDAT)	16.1	83.9	12.5	23.2	20.2	1.4	42.7
Other	39.8	60.2	20.0	0.0	36.4	11.4	32.2

*Read as "20.1% of the adult population in 2019 made use of NYDA's assistance".
**Read as "20.6% of those adults who made use of NYDA's assistance in 2019 considered the help to have been completely ineffective".

Entrepreneurship and the economy in South Africa

29.1% South Africa's official unemployment rate

58.2% The rate of unemployment among the youth (aged 15 to 24 years)

60% The annual percentage of new entrants who will not find employment

3.5% South Africa's established business ownership rate has increased from 2.2% in 2017 to 3.5% in 2019, but it is still far below the average for the overall African region and for developing countries in Latin America.

14.3% Entrepreneurial activity has almost doubled from 7.5% in 2017 to 14.3% in 2019 in the age group 45–54 years, but decreased in the age group 35–44 years.

3 in every 10 adults personally know an entrepreneur

6 in every 10 adults believe there are good opportunities to start a business

Approximately **50%** of adults believe it is easy to start a business in South Africa.

Challenges to tackle

High data costs

An unequal education system

Over-regulation of small businesses

Labour market rigidities

Entrepreneurial framework conditions

	2017	2019
Financial environment and support	4.6	4.0
Government entrepreneurship programmes	3.5	3.1
Entrepreneurship education (primary and secondary school level)	3.1	2.2
Entrepreneurship education (vocational, professional and tertiary level)	4.6	3.5
Access to professional and commercial infrastructure	5.0	4.4
Access to physical infrastructure and services	5.8	5.1
Cultural and social norms	4.9	3.8

How does SA rank?*

124 out of **141** countries in terms of the flexibility of wage determinations

129 out of **141** countries in terms of hiring and firing practices

119 out of **141** countries in terms of the quality of the education system

*On the Global Competitiveness Index 2019/2020

SECTION 3

The South African entrepreneurial ecosystem

It is well understood that entrepreneurs need the right conditions to blossom. Yet the evidence is clear that efforts to support entrepreneurs have not always been effective in South Africa. We unpack options to provide a supportive entrepreneurial ecosystem and explore ways to foster entrepreneurship in the country.

49.8%

People's fear of failure in entrepreneurship is high and has increased from 2017.

Understanding the context

GEM's primary source of information is the APS. Its results are interpreted in the context of the prevailing framework conditions, as understood from the selected in-country experts' opinions, gained through the NES. GEM also relies on information and data provided by other leading international organisations such as the World Economic Forum, the World Bank Group and the United Nations, to mention but a few.

An example of the prevailing global comparative conditions, as shown in **Table 18**, is how South Africa ranked on the Global Competitiveness Index in 2016–2019. In 2018, the format of the Global Competitiveness Index was adjusted (to version GCI 4.0); direct comparisons between data from 2019 and data from 2016/2017 or 2017/2018 are not exact as some of the conditions have changed. Nevertheless, it is still of value to compare data from those conditions that remained unchanged. The GCI 4.0 provides a detailed overview of the factors and attributes that drive productivity, growth and human development in the era of the Fourth Industrial Revolution (4IR).[36]

South Africa's overall ranking on the GCI 4.0 improved from 67 out of 140 economies in 2018 to 60 out of 141 economies in 2019.

Table 18 shows that there has been a decline in the country's rankings on some conditions, especially those relating to the regulatory environment, namely the burden of government regulations (101/141) and the time required to start a business (129/141). The availability of financial services has also declined markedly (to 96/141), but this may be due to the fact that this indicator now refers to the financing of SMMEs rather than large corporate businesses.

36 Schwab, K. (Ed). (2019). *The Global Competitiveness Report 2019 vii, South African Rankings, 534–537.* Geneva: World Economic Forum. Retrieved from http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

Table 18: South Africa's rankings on the conditions of the Global Competitiveness Index in 2016–2020

Condition	2016/2017 (out of 138)	2017/2018 (out of 137)	2019/2020* (out of 141)
Public trust in politicians	109	114	
Irregular payment and bribes	53	91	
Burden of government regulations	106	89	101
Favouritism in decisions of government officials	115	127	
Business cost of crime and violence	133	133	
Quality of overall infrastructure	59	72	
Quality of electricity supply	112	97	49
Quality of education system	134	114	119
Quality of maths and science education	138	128	
Quality of management schools	21	45	102
Time required to start a business	125	125	129
Flexibility of wage determinations	135	132	124
Hiring and firing practices	135	125	129
Availabiliity of financial services	2	32	96
Government procurement of advanced technology	99	57	

*Includes the rankings for only those eight conditions that remained unchanged between the older and latest versions of the index.

Still of great concern is the low rating (119/141) given to the quality of the education system, which showed no significant improvement over the years. This could have a dramatic impact on levels of entrepreneurial activity in the future.

South Africa also continues to rank low on the labour market indicators, i.e. flexibility of wage determinations (124/141), and hiring and firing practices (129/141).

The quality of electricity supply has improved between 2016 and 2019 to position 49/141. This is, however, a moot finding as Eskom's electricity supply continues to be constrained, unpredictable and unreliable.

Ease of doing business in South Africa

The Doing Business 2020 study measured regulations in 12 areas of business activity across 190 economies.[37] Specifically, it measured the processes around business incorporation, getting a building permit, obtaining an electricity connection, transferring property, accessing credit, protecting minority investors, paying taxes, engaging in international trade, enforcing contracts and resolving insolvency.

The study aimed to address three questions about government: (i) When do governments change regulation to develop their private sector?, (ii) What are the characteristics of reformist governments?, and (ii) What are the effects of regulatory change on different aspects of economic or investment activity?[38]

A country's Doing Business score is, in essence, a measurement of the ease with which one can do business in that country. Importantly, investment decisions of course also consider a broad range of other factors, such as the overall quality of an economy's business environment, national competitiveness, macroeconomic stability, financial sector development, market size, rule of law and the quality of the labour force.[39]

Table 19 compares the South African ranking and score to those of other African economies that outperformed the country in the Doing Business 2020 study.

37 *Doing Business 2020: Comparing Business Regulation in 190 Economies.* Washington: World Bank Group. Retrieved from http://documents.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Busines

38 Ibid.

39 Ibid.

Table 19: "Ease of doing business" ranking: South Africa compared to higher-ranking African economies[40]

Ranking out of 190	African economy	Doing Business score
13	Mauritius	81.5
38	Rwanda	76.5
54	Morocco	73.4
56	Kenya	73.2
78	Tunisia	68.7
84	South Africa	67.0

The Doing Business 2020 study showed that developing countries are making progress in terms of ease of doing business, but also that the gap between them and developed economies remains wide.[41] The rankings and more detailed benchmarks provided in this study offer insights for when structural reforms that encourage broad-based growth are considered and prioritised. This includes reforms required for the rapid stimulation of entrepreneurial activity in South Africa.

We ask the experts

The National Expert Survey (NES)

Entrepreneurial activity and success are highly dependent on the contexts within which they occur. Ecosystem factors such as government policy frameworks and legislation, economic development and performance, education and a host of social dynamics directly influence and uniquely shape entrepreneurial activity and development at a country level.

GEM's NES is the vehicle for collecting data and expert opinions on the prevailing in-country framework conditions. Annually, each participating GEM economy surveys a minimum of 36 key experts. Experts are interviewed using a standardised, structured questionnaire.

The NES focuses specifically on the context features that are expected to have a significant impact on entrepreneurial attitudes and activities, rather than on general economic factors. Experts are probed to express their views on the most important conditions that either constrain or foster entrepreneurial activity and development in their country.

In 2019, the NES assessed the entrepreneurship ecosystem using a Likert scale of 1 (highly insufficient) to 10 (highly sufficient). This is different to previous years' Likert scale of 1 (highly inefficient) to 9 (highly efficient).

The twelve EFCs assessed by GEM in the NES are set out in **Table 18**. (There are nine primary framework conditions with a secondary condition in the government policy, entrepreneurial education and market dynamics categories).

Unpacking the entrepreneurial framework conditions (EFCs)

Table 20 shows the South African ratings of the 12 EFCs from 2015 to 2019. It also shows the average 2019 GEM global ratings, which cover both developing and developed countries.

The first observation to be made is that in 2019, the South African ratings of each framework condition were lower than those in 2017.

Access to physical infrastructure or services continued to rate highest (5.1) with entrepreneurship education at the primary and secondary levels, lowest (2.2). Other low ratings were for government policies: taxes and bureaucracy (2.7), government entrepreneurship programmes (3.1), research and development transfer (3.2), internal market burdens (3.4) and government entrepreneurship policies and entrepreneurship education at tertiary level (both 3.5).

Finally, in 2019, South African ratings were consistently lower than the GEM global averages.

The balance of this chapter provides further details on and insights into four of the NFCs (selected on the combined basis of current ratings and their importance for improving the entrepreneurial ecosystem in South Africa). The chapter also includes the global rankings on the newly constructed National Entrepreneurial Context Index (NECI).

40 Ibid.
41 Ibid.

Table 20: The national entrepreneurship framework conditions (NFCs)[42]

1. Access to entrepreneurial finance. Are there sufficient funds available to new startups, from informal investment and bank loans to government grants and venture capital?

2. a) Government policy: Support and relevance. Do government policies promote entrepreneurship and support those starting a new business venture?

b) Government policy: Taxes and bureaucracy. Are business taxes and fees affordable for the new enterprise? Are rules and regulations easy to manage, or an undue burden on the new business?

3. Government entrepreneurship programmes. Are quality support programmes available to the new entrepreneur at local, regional and national level?

4. a) Entrepreneurship education at school. Are schools encouraging entrepreneurial qualities such as creativity and inquisitiveness, and promoting entrepreneurial skills such as the ability to recognise opportunities?

b) Entrepreneurship education post-school. Do colleges, universities and business schools offer effective courses in entrepreneurial subjects, alongside practical training in how to start a business?

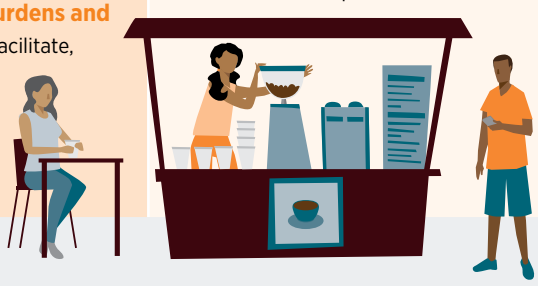
5) Research and development transfers. To what extent can research findings, including those from universities and research centres, be translated into commercial ventures?

6) Commercial and professional infrastructure. Does access to affordable professional services such as lawyers and accountants support the new venture, within a framework of property rights?

7 a) Ease of entry: market dynamics. Are there free, open and growing markets where no large businesses control entry or prices?

b) Ease of entry: market burdens and regulations. Do regulations facilitate, rather than restrict, entry?

8) Physical infrastructure. To what extent are physical infrastructures (such as roads, internet access and speed, the cost and availability of physical spaces, etc.) accessible to entrepreneurs?



9) Social and cultural norms. Does national culture stifle or encourage and celebrate entrepreneurship, including through the provision of role models and mentors, as well as social support?

Creating a fostering ecosystem

Government policies and initiatives

Government policies play an important role in shaping economic development, especially because policies inform an entrepreneur's decision to actually take the step to start a new business.

It is not the responsibility of governments to start and run businesses or create new jobs, but it is definitely their responsibility to create an economic policy environment that supports entrepreneurial activity, entrepreneurial success and enterprise sustainability.

Table 21 shows the 2019 expert ratings of seven aspects of government policies around entrepreneurship. Each of these aspects was scored lower in 2019 than in 2017, and four of the seven have a rating of lower than three out of ten.

The South African government understands the importance of growing entrepreneurial activity and SMMEs, and has invested significantly in incentives and funds for doing so. Yet, the expert ratings indicate that these efforts have not been effective.

One of the challenges is that there needs to be better alignment of government policies with government programmes if the

42 Bosma, N. et al. (2020). GEM Global Report 2019/2020. Retrieved from http://www.gemconsortium.org/report

Table 21: Entrepreneurial framework conditions scores in 2015–2019 (weighted average; 0 = highly insufficient, 10 = highly sufficient)

Entrepreneurial framework conditions	South Africa 2015	South Africa 2016	South Africa 2017	South Africa 2019	GEM average 2019
Financial environment and support	4.4	4.8	4.6	4.0	4.5
Concrete government policies related to entrepreneurship	4.6	5.3	4.5	3.5	4.3
Government policies: taxes and bureaucracy	3.4	3.0	3.6	2.7	4.0
Government entrepreneurship programmes	3.3	3.3	3.5	3.1	4.4
Entrepreneurship education (primary and secondary school level)	3.4	3.2	3.1	2.2	3.2
Entrepreneurship education (vocational. professional and tertiary level)	4.7	4.2	4.6	3.5	4.7
Research and development transfer	3.8	3.7	3.1	3.2	4.0
Access to professional and commercial infrastructure	5.4	5.7	5.0	4.4	5.0
Internal market dynamics	5.0	5.8	5.9	4.7	5.2
Burdens of internal markets	4.3	3.7	3.5	3.4	4.4
Access to physical infrastructure and services	6.6	6.4	5.8	5.1	6.7
Cultural and social norms	3.8	4.4	4.9	3.8	5.1

probability of policy positively impacting entrepreneurial activity is to be heightened.

Developing economies, especially one like South Africa where there is rampant unemployment, need to shed all unnecessary red tape bureaucracies (from registering a business to reporting and related paperwork) and create innovative incentives for funding and supporting entrepreneurial success.

Some great examples of what other countries are doing to alleviate this problem and turbocharge entrepreneurship are documented in the GEM Policy Briefs 2017[43], referred to in **Section 2.**

The South African Government has, over the past two decades, introduced many programmes to promote entrepreneurial development. The average expert ratings of how well these programmes have been implemented are shown in **Table 22**. The overall low scores (suggesting a very low return on effort and investment), as well as the drop in all scores between 2017 and 2019, are reasons for concern.

Access to relevant information is the aspect of government programme success that scored lowest overall at 2.4. The second-lowest score (2.6) relates to the level of competence of government representatives in supporting and growing new businesses. Single-agency contact across development programmes (i.e. having a one-stop-shop for entrepreneurial assistance) creates efficiency. In 2019, this aspect scored only 2.7, but this is something the Department of Small Business Development is currently addressing.

There is an urgent need for greater alignment between policy and practice, for the upskilling of advisors and for improved access to relevant information.

Market openness

Open, efficient market systems and healthy competition are good for economic inclusion, innovation in products and services, and realistic and fair pricing. A rating of five or less out of a possible ten depicts an unhealthy market dynamic. **Table 24** shows that experts perceived a deterioration in market openness in 2019, in the case of both new and established markets.

The South African market is essentially still dominated by large monopolies (retail and wholesale, energy supply, telecommunications, financial services and the transport sector being prime examples). This increases the cost of doing business for small companies and lowers their ease of access to markets, including government procurement opportunities.

43 Herrington, M. (2017). *Global Entrepreneurship Monitor: Policy Briefs 2017.* Retrieved from https://gemconsortium.org/report/gem-2017-policy-briefs

Table 22: Expert ratings of seven aspects of government policies around entrepreneurship in 2016–2019 (weighted average; 0 = highly insufficient, 10 = highly sufficient)

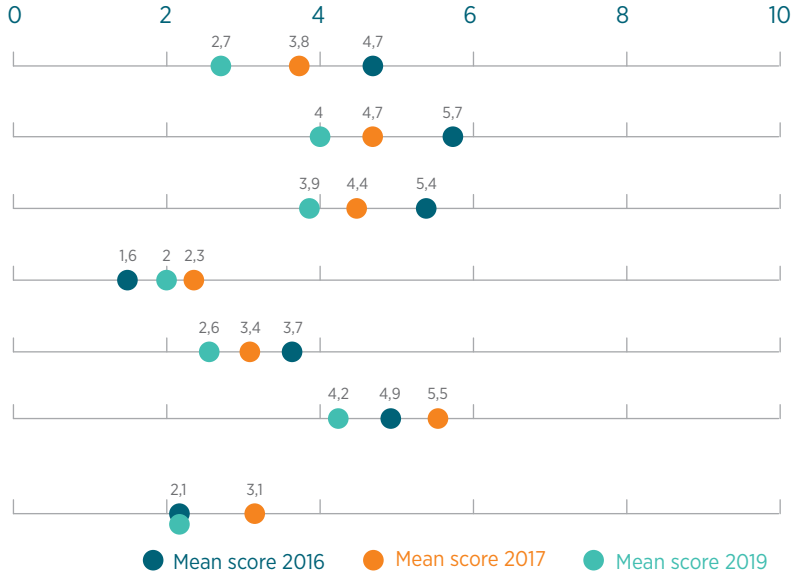


Table 23: Expert ratings of the success of government programmes for entrepreneurship in South Africa in 2016–2019 (weighted average; 0 = highly insufficient, 10 = highly sufficient)

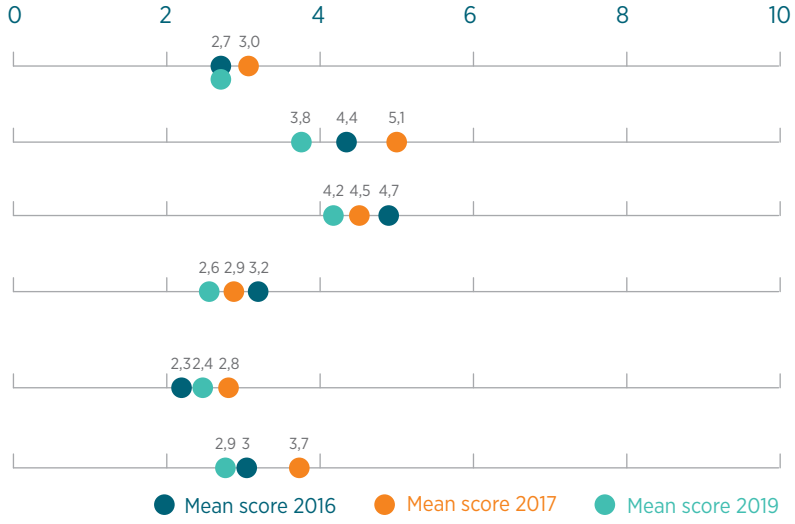
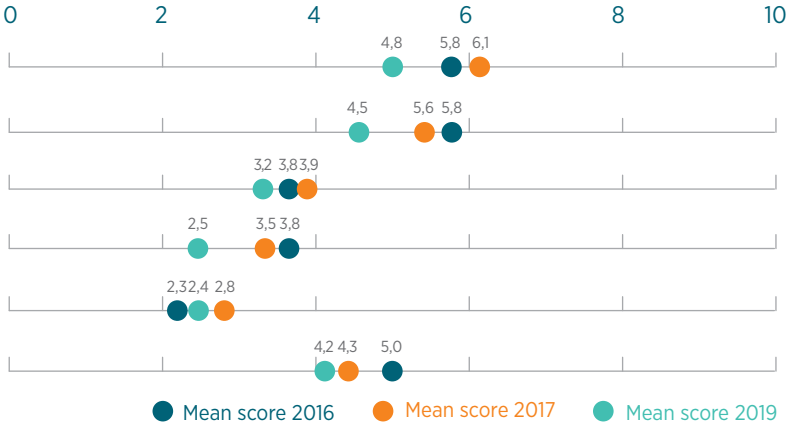


Table 24: Expert ratings of market openness in South Africa in 2016–2019 (weighted average; 0 = highly insufficient, 10 = highly sufficient)



Education and training

Education, specifically entrepreneurial education, is a foundation requirement for starting a business and succeeding as an entrepreneur.

GEM's research has repeatedly shown that the higher their level of education, the more likely the entrepreneur is to start a business and for the business to grow and prosper. In a broader sense, there is a direct correlation between the levels of perceived capabilities (this admittedly not being determined by education level alone) and the TEA level in the country. The GEM findings also show that education is linked to entrepreneurial intentions.

Historically, the NES expert commentators agreed that the education system in South Africa did and still does not sufficiently align with or support entrepreneurial activity. **Table 25** shows that, of all types of feeder education for entrepreneurship, business and management education was rated most efficient at 4. Vocational, professional and continuing education systems scored second highest at 3.5. These are both still low scores (10 being the highest score possible). Primary and secondary education (in terms of promoting creativity, laying out market economic principles and paying sufficient attention to entrepreneurship) scored very low at 2.3 and 2.2 respectively.

As before, these scores need to be considered in the context of the 4IR and the rapidly evolving digital economy. It is unlikely that large corporations will in the future employ more people (rather, they will contract); education systems will need to provide learners with new capabilities for a fast changing world. In particular, they need to be prepared for entrepreneurial activity becoming a reality for more and more people.

Availability of and access to finance

Access to funding is a universal problem for most intentional entrepreneurs. GEM studies have shown that the lack-of-funding dilemma hinges on the tension between what the entrepreneur can offer and what funders require.

At a very basic level, entrepreneurs need to be able to present an acceptable business plan that clearly demonstrates differentiation from other products and services (digital platforms, product uniqueness and service proposition). Market research is vital, but entrepreneurs often fail to properly investigate the market. And then, of course, entrepreneurship is also about having the requisite personal attributes such as resilience and passion. Dealing with all of these business realities and requirements demands knowledge, skill and the ability to integrate.

There are plenty of potential funders in South Africa. For a variety of reasons, though, the available funding is not successfully channelling to those entrepreneurs who need it most. Part of this challenge, as indicated above, is that pitching to funders requires a deep dive into the business idea and a great deal of thinking, testing and preparation.

Table 26 shows that the experts interviewed are fairly positive about the availability of entrepreneurial finance. (South Africa's overall average for this framework condition is 4, compared to the GEM global average of 4.5.)

All scores were lower in 2019 than in 2017, with government subsidies for new and growing firms dropping the most (from 5.2 to 3.9). Private lender funding (including crowdfunding) scored the lowest of all funding sources at 3.3.

Taking stock of progress and challenges

The National Entrepreneurial Context Index (NECI)

About the NECI

This index was introduced and discussed in **Section 1** of this report. The NECI intends to fill the gap in the entrepreneurship literature by providing a single composite number that is able to express the average state and quality of the entrepreneurial ecosystem in any one country and compare it to that of other economies.

In essence, a country's NECI index score is an indication of the ease with which its entrepreneurs can start and develop a business.

As can be seen from **Tables 26** and **Figure 4**[44], South Africa is ranked 49th out of 54 economies, ahead of only Croatia, Guatemala, Paraguay, Puerto Rico and Iran.

The conclusion is clear: **South Africa's entrepreneurial ecosystem is rated one of the worst in the sample of participating economies in 2019** and, from the detailed results shown in this chapter, exhibited little sign of improvement over the past few years; in many cases, it is on the decline.

The government should be the leading stakeholder by setting new policy directions for supporting economic development in general and entrepreneurial activity specifically. It is, however, unrealistic to expect the government to be the sole driver of change.

All stakeholders – including government, trade unions, the private sector and the education sector – need to align their thinking and their efforts to ensure a vibrant framework for growth and inclusive economic participation.

44 GEM Adult Population Survey 2019. In Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

What do the experts say?

The NES asked national experts to rate the impact or sufficiency of each of the twelve NFCs, as well as the importance of each condition for entrepreneurial activity development. These findings are reported in **Figure 4** (and are also used for the NECI scores represented in **Table 5**).

Table 25: Expert ratings of the success of entrepreneurial education and training in South Africa in 2016–2019 (weighted average; 0 = highly insufficient, 10 = highly sufficient)

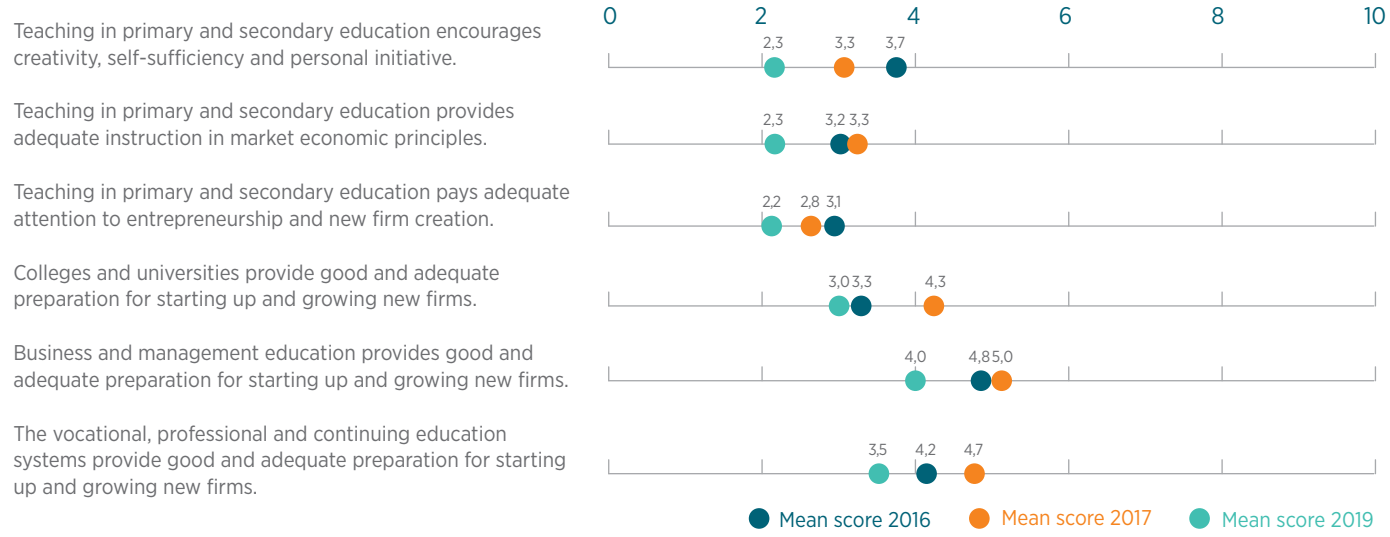


Table 26: Expert ratings of the availability of entrepreneurial finance in South Africa in 2016–2019 (weighted average; 0 = highly insufficient, 10 = highly sufficient)

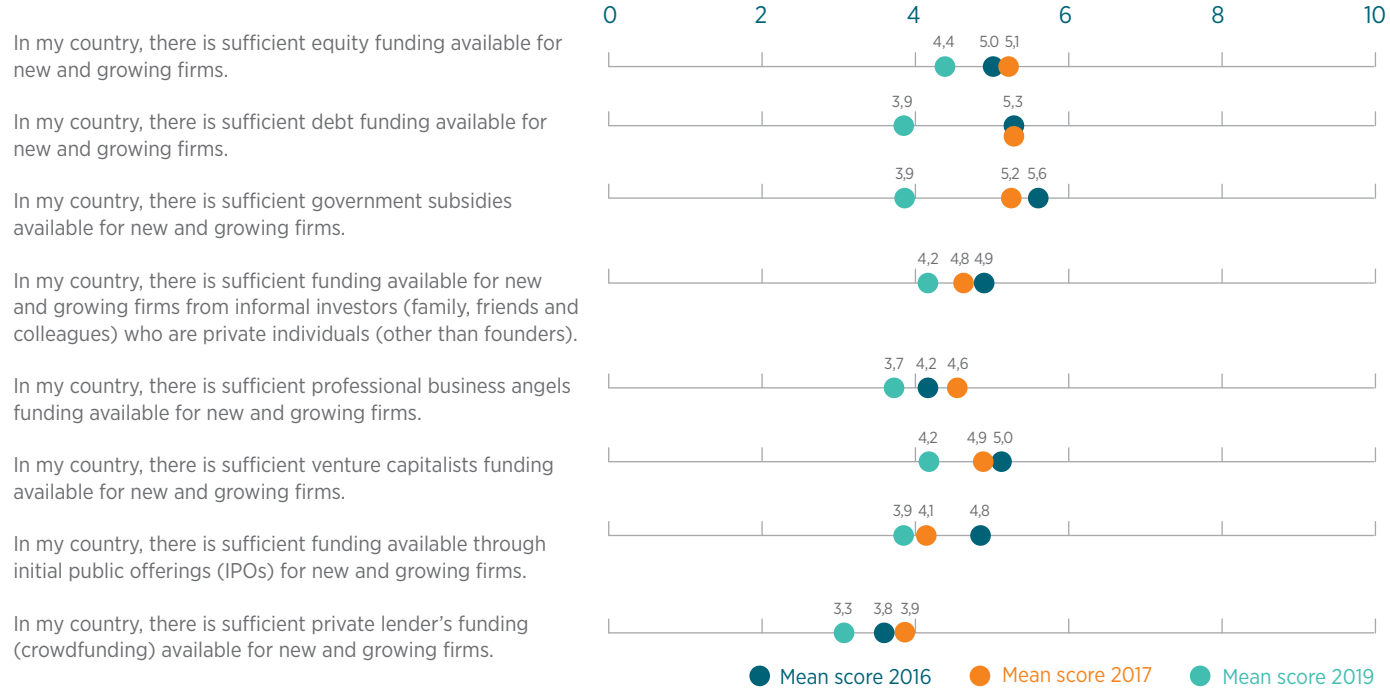


Table 27: The National Entrepreneurship Context Index (NECI) for 54 economies in 2019

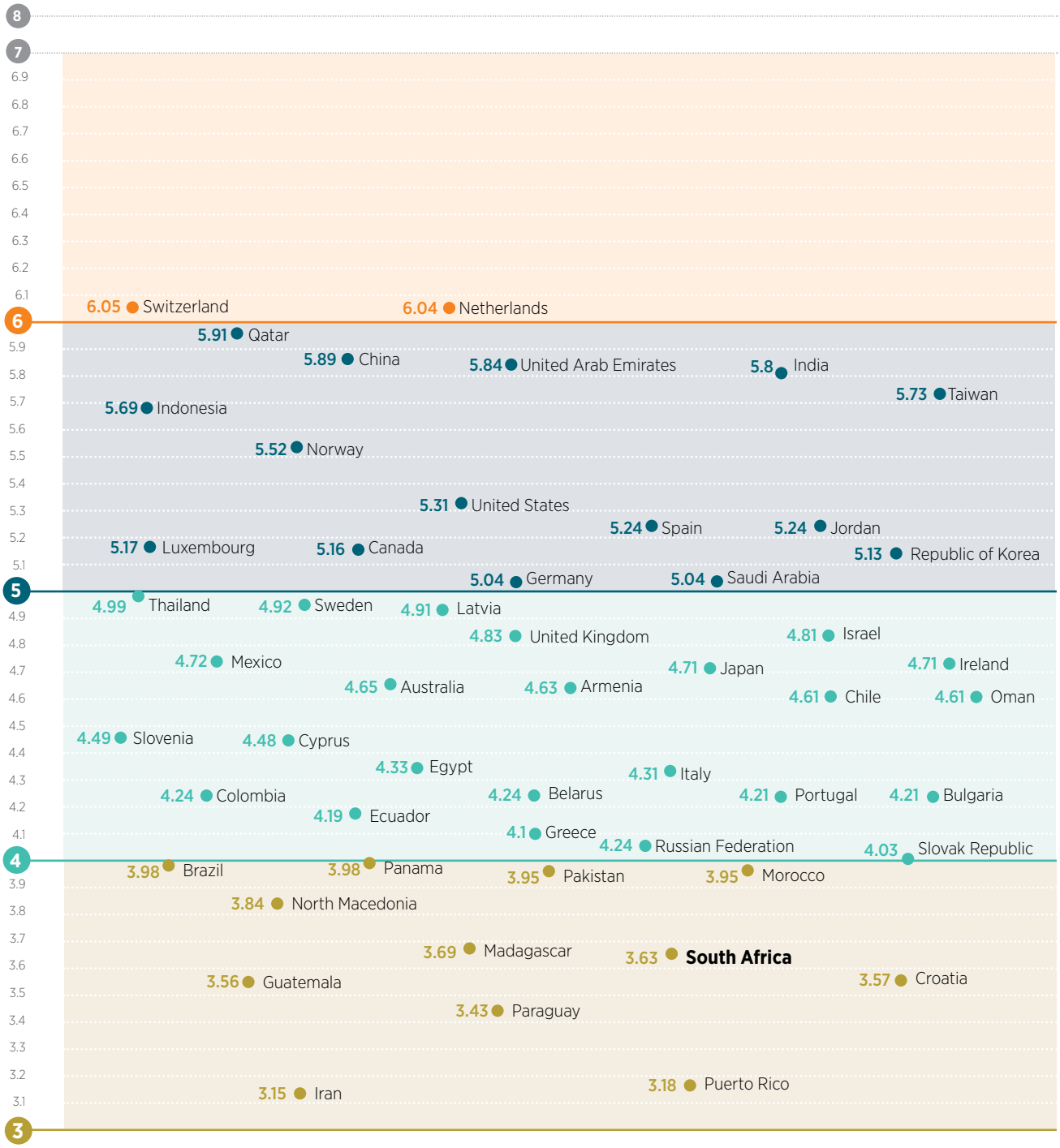
All indicators are measured on a scale of 0 to 10.

NECI and entrepreneurial framework conditions														
Economy	NECI		Entrepreneurial finance score	Government policy: Support and relevance score	Government policy: Taxes and bureaucratic score	Government programmes for entrepreneurship score	Entrepreneurship education: School score	Entrepreneurial education: Post-school score	Research and development transfers score	Commercial and legal infrastructure score	Internal market dynamics score	Internal market burdens score	Physical infrastructure score	Cultural and social norm score
	Score	Rank												
Armenia	4.63	27	3.74	4.34	5.48	3.73	2.74	3.64	3.10	5.80	5.05	4.53	7.18	6.21
Australia	4.65	26	5.11	4.02	4.27	4.54	3.75	4.46	3.93	5.21	4.32	4.72	6.27	5.20
Belarus	4.24	36	3.24	3.28	4.35	3.10	2.63	4.62	3.38	5.26	5.56	4.28	7.40	3.80
Brazil	3.98	43	4.78	3.92	2.25	3.91	2.03	4.25	3.21	4.53	5.84	3.86	5.49	3.72
Bulgaria	4.21	38	4.42	2.54	4.64	2.96	2.69	3.91	3.15	5.13	5.32	4.24	7.60	3.87
Canada	5.16	14	5.28	5.17	4.46	4.70	4.28	5.00	4.23	5.51	5.09	4.84	7.03	6.29
Chile	4.61	28	3.75	4.71	4.79	5.47	2.54	4.93	3.69	4.39	4.13	3.94	7.72	5.27
China	5.89	4	5.80	5.89	6.16	5.46	4.13	5.74	5.57	5.37	6.88	5.23	7.70	6.78
Colombia	4.24	35	3.39	5.00	3.11	4.53	3.05	5.29	3.56	4.02	4.50	3.94	5.76	4.74
Croatia	3.57	50	4.15	3.04	2.46	3.41	2.00	3.28	2.61	3.97	5.51	3.37	6.38	2.63
Cyprus	4.48	31	3.59	4.31	5.00	3.99	3.16	5.09	3.85	5.09	4.41	4.35	6.58	4.41
Ecuador	4.19	39	2.88	3.31	2.66	3.44	3.49	5.39	3.10	4.44	4.99	3.70	6.97	5.92
Egypt	4.33	32	4.54	4.21	3.27	4.12	2.23	3.94	3.07	4.54	5.72	4.48	6.86	5.00
Germany	5.04	16	5.31	4.07	4.15	6.21	2.71	4.80	4.78	6.29	5.79	5.13	6.45	4.78
Greece	4.10	40	3.88	3.56	2.43	3.50	2.62	4.45	4.30	4.92	5.15	4.00	6.06	4.35
Guatemala	3.56	51	2.56	2.39	3.37	2.94	2.75	5.06	2.55	4.43	3.51	3.17	5.53	4.47
India	5.80	6	5.73	5.98	5.10	5.53	5.12	5.65	5.31	5.80	6.60	5.70	6.91	6.20
Indonesia	5.69	8	5.53	5.92	4.98	5.29	4.98	5.98	5.56	5.44	6.57	5.51	6.12	6.37
Iran	3.15	54	3.26	3.07	3.24	3.09	2.98	3.26	3.11	2.98	3.04	3.32	3.50	3.01
Ireland	4.71	25	4.84	4.11	4.50	5.35	3.03	4.65	4.22	4.97	4.84	4.83	5.54	5.66
Israel	4.81	22	5.11	4.06	3.05	4.15	2.98	4.43	4.67	5.62	4.80	4.16	7.09	7.60
Italy	4.31	33	4.50	3.57	3.03	4.13	2.87	4.94	4.64	4.81	4.89	4.51	5.40	4.43
Japan	4.71	24	5.03	5.01	4.16	4.37	2.40	4.60	4.44	4.14	6.10	4.50	7.39	4.36
Jordan	5.24	12	4.90	4.98	3.90	4.50	3.38	5.35	4.99	6.28	6.93	4.36	7.41	5.90
Latvia	4.91	20	4.83	4.37	3.76	5.16	4.18	4.55	4.36	5.87	4.78	5.02	6.94	5.08
Luxembourg	5.17	13	4.31	5.85	5.36	6.00	4.11	5.31	5.31	5.66	3.26	5.17	6.73	4.97
Madagascar	3.69	48	3.00	3.74	3.60	2.92	1.70	5.46	2.93	4.13	4.55	3.38	4.33	4.50
Mexico	4.72	23	4.14	4.04	3.65	4.40	3.12	6.04	4.14	4.75	4.76	4.39	7.08	6.09
Morocco	3.95	46	3.61	3.71	3.84	3.75	2.32	4.13	2.93	4.78	4.82	3.26	6.42	3.82
Netherlands	6.04	2	6.25	5.76	5.49	6.13	5.45	5.84	5.43	6.34	5.29	6.07	7.94	6.54
North Macedonia	3.84	47	3.72	3.12	3.17	3.39	2.83	3.94	3.22	4.85	5.07	3.33	5.83	3.62
Norway	5.52	9	5.49	5.05	4.48	5.43	5.18	5.71	4.66	6.21	5.13	4.80	7.79	6.31
Oman	4.61	29	4.31	4.46	4.15	4.44	3.47	4.40	4.07	4.56	5.56	4.02	6.16	5.71
Pakistan	3.95	45	3.65	3.35	2.69	3.40	2.77	4.22	2.82	4.11	4.90	4.23	6.61	4.58
Panama	3.98	44	3.14	2.59	4.06	4.02	2.08	4.06	2.99	4.30	3.96	3.93	7.21	5.39
Paraguay	3.43	52	2.52	2.41	3.53	3.44	1.88	3.82	2.47	3.44	3.26	3.79	5.75	4.80
Poland	4.24	34	4.94	4.14	2.88	4.30	1.80	3.20	3.53	4.48	6.53	4.07	7.00	3.99
Portugal	4.21	37	4.85	4.26	2.42	4.41	2.63	4.64	3.69	5.00	4.17	3.74	7.12	3.61
Puerto Rico	3.18	53	3.38	2.52	1.20	2.86	1.44	3.73	3.16	3.76	5.07	2.78	4.67	3.55
Qatar	5.91	3	5.40	6.03	6.09	6.05	5.24	6.27	5.21	5.70	5.92	5.09	7.52	6.36
Republic of Korea	5.13	15	5.06	6.45	4.57	5.40	3.43	4.19	4.18	4.37	7.49	4.21	7.39	4.79
Russian Federation	4.04	41	3.71	3.22	3.05	3.84	2.97	4.21	2.96	4.94	6.03	3.35	6.08	4.08
Saudi Arabia	5.04	17	5.01	6.03	5.14	5.32	2.96	4.16	4.09	4.75	5.92	4.74	6.54	5.85
Slovak Republic	4.03	42	4.50	2.82	2.71	3.58	2.67	4.42	2.90	5.09	4.43	4.38	7.43	3.49
Slovenia	4.49	30	4.49	3.97	3.43	5.13	2.80	4.25	3.90	5.13	5.36	4.65	7.06	3.72
South Africa	3.63	49	4.03	3.53	2.71	3.10	2.24	3.51	3.16	4.37	4.66	3.36	5.09	3.84
Spain	5.24	11	4.87	5.33	5.17	5.96	2.65	5.45	5.26	6.04	5.31	5.05	6.95	4.82
Sweden	4.92	19	5.19	3.60	3.51	4.62	4.34	4.84	4.31	5.25	6.07	4.74	7.42	5.21
Switzerland	6.05	1	5.50	5.76	6.21	6.07	4.63	6.33	6.35	6.43	4.49	5.54	8.58	6.68
Taiwan	5.73	7	5.55	5.99	5.55	5.72	3.91	5.17	5.44	5.73	6.08	5.37	8.24	6.08
Thailand	4.99	18	5.05	4.32	4.16	4.25	3.15	4.81	4.26	5.23	6.25	4.67	7.82	5.94
United Arab Emirates	5.84	5	4.91	6.49	5.82	5.94	5.36	5.57	4.72	5.71	6.13	5.13	7.53	6.79
United Kingdom	4.83	21	5.33	4.02	5.08	4.32	3.37	4.65	3.77	5.12	4.85	5.22	6.54	5.72
United States	5.31	10	6.04	4.37	4.90	4.21	3.92	5.42	4.48	5.79	4.99	4.38	7.50	7.68

In 2019, South Africa ranked 49th out of 54 economies on GEM's NECI index. See this ranking represented visually in **Figure 4** below. This index provides a composite number to measure and rank the ease of starting and developing a business in each economy.

Switzerland is ranked strongest in terms of the NECI, or the ease of starting and developing a business, closely followed by the Netherlands and Qatar. The lowest NECI scores are for Iran, Puerto Rico and Paraguay.

Figure 4: Overall country scores on the National Entrepreneurship Context Index (NECI)[45]



The experts were also asked what they regarded to be the most important framework conditions that, respectively, constrain, foster, and will likely improve the context for entrepreneurial development in South Africa. Their open-ended responses were categorised and ranked. The five framework conditions that ranked top in each of the three categories are shown in **Figure 5.**

Commentary and further discussions on the prevailing and future framework conditions are included in **Section 5.**

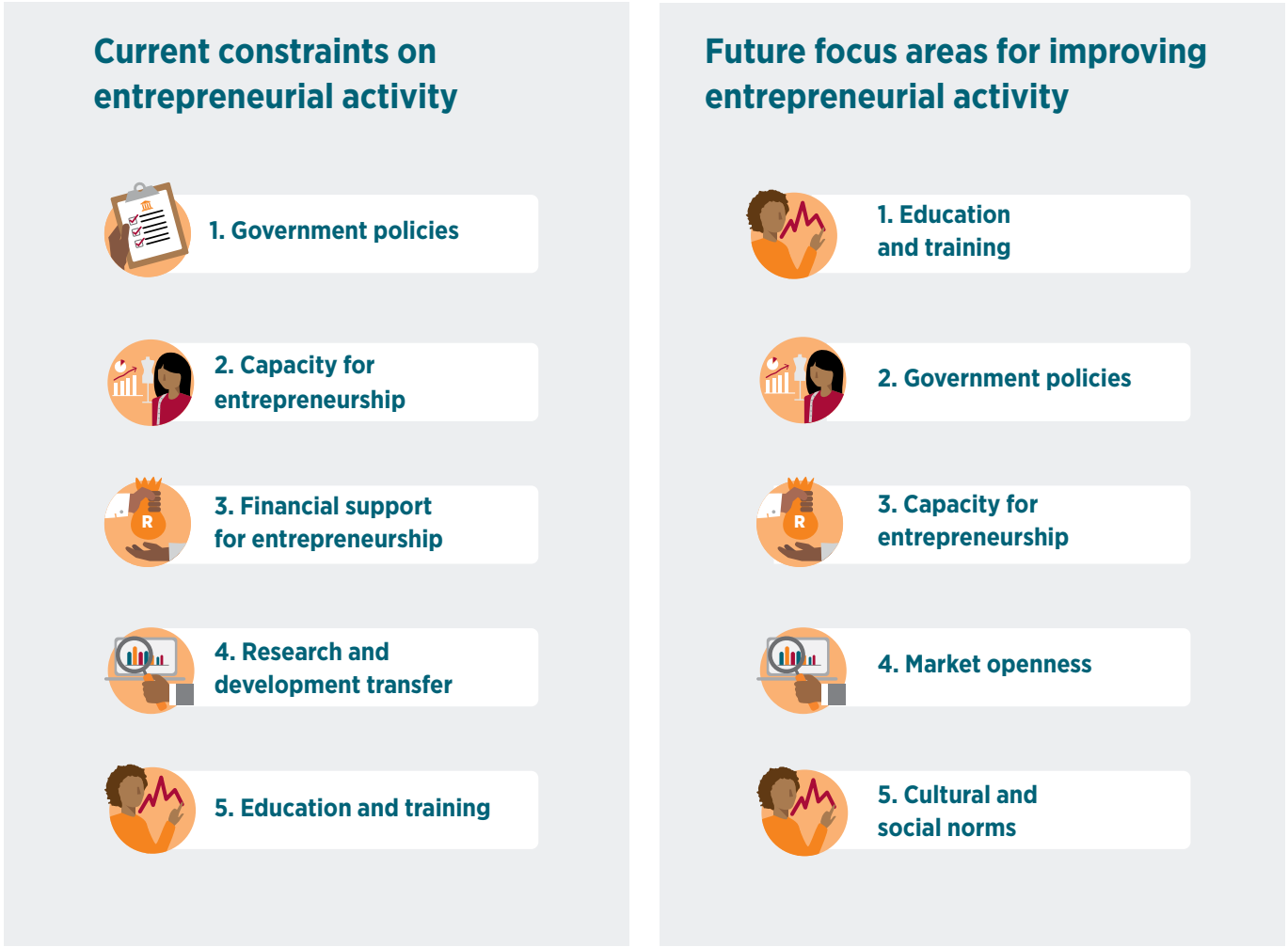
GEM assesses the environment for enterprise by defining a number of specific entrepreneurship framework conditions, as set out in **Figure 5**. These conditions, taken together, specify a local environment for enterprise that, for the person trying to start a new venture, will be supportive in some ways and constraining in others.

South Africa's entrepreneurial ecosystem exhibited little sign of improvement over the past few years; in many cases, it is on the decline.

All of South Africa's national framework conditions need strengthening.

45 GEM Adult Population Survey 2019. In Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

Figure 5: National Expert Survey (NES) top-ranked framework conditions: Current constraints on and future focus areas for improving entrepreneurial activity in South Africa

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SECTION 4

Minding the gap: Igniting entrepreneurship in the digital economy

Gender disparities and lack of youth support in entrepreneurship continue to deplete the stock of new businesses and thereby drain economic potential. Although women are increasingly assuming a stronger, more robust role in the economy, they still lag behind men significantly in many areas. In this section, we provide some perspectives on the role of women and the youth in entrepreneurship, specifically within the context of the digital economy in Africa and, more locally, South Africa.

58.2%

Unemployment rate among the youth (aged between 15 and 24 years)

Perspectives on women and youth in entrepreneurship

by Dr Njeri Mwagiru, Senior Futurist: Africa, Institute for Futures Research (IFR), University of Stellenbosch Business School (USB)

Overview

A futures-oriented view is shared here in a brief reflection on the emerging 4IR and digital economy trends. The focus is on opportunities and challenges presented for women and youth in entrepreneurship, with a spotlight on the African region and South Africa specifically.

The discussion reflects on digital economy trends and issues that impact women and youth entrepreneurship at three main levels:

- the macro or global level (4IR digitisation trends, resultant shifts in the world of work, and entrepreneurship opportunities);
- the continental or regional level (the new emerging policy environment under the ambit of the Africa Continental Free Trade Area (ACTFA), and implications for business growth and development); and
- the national or country level (the South African socio-political and economic context).

High-impact intervention points for the nurturing of women and youth entrepreneurs in a digital economy are indicated in closing.

'Critical levers' for economic growth

Women and youth in entrepreneurship are critical levers for economic growth and development, both in South Africa and other African countries.

Research evidence indicates that economic participation by women has wide-reaching impacts on and long-term benefits for local communities as well as overall economic growth.[46] Similarly, empowering the youth with capabilities can unleash untapped talent and potential, especially so in Africa, where the youngest population in the world is slated to constitute up to 40% of the global workforce in the next few decades.[47] Igniting this potential in a digital economy and introducing targeted efforts that steer away from deepening divides can steer African countries towards futures of shared prosperity.

Opportunities for entrepreneurs appear bright, buoyed by rapidly advancing technological innovations and new business platforms.[48] Yet, while emerging technologies and digital economy trends hold much promise, they may conversely deepen inequalities and divides.

There are also persistent obstacles to entrepreneurship that need addressing. Notably, a digital divide that disadvantages mainly women and youth in rural areas and the informal economy in African countries continues to exist.[49] Lack of suitable skills, weak supporting infrastructure, inadequate policy and systems, short-sighted leadership as well as cultural barriers are among the range of issues that compromise translating the full potential of technology and the digital economy into impactful development outcomes.

Concerted efforts are required to ensure that digital economies are inclusive, and uplift rather than further marginalise women and youth as economic actors and entrepreneurs.

The promise of innovation and the digital economy

Emerging technological capabilities are spurring innovative approaches to productivity, commerce, distribution, and access to services and markets.[50] Emanant digital jobs and the digital economy are also presenting new platforms for entrepreneurship, and opening access channels to groups previously peripheral to facilities and hubs of commercial activity.[51] Demonstrated gains for women and youth entrepreneurs include better integration into economic and financial systems, increased productivity, improved business and job creation, and rising dividends from heightened levels of access to local, national and regional markets.[52]

Ecommerce capabilities and online transactions, for instance, support working from home, which eases constraints on women's time due to multiple gender-role demands. Such options make women's engagement in entrepreneurship and digital economy opportunities more feasible. Similarly, the youth can overcome issues of access to markets, capital and financing by mobilising online networks and establishing digital platforms for their enterprises. Big data analytics, the 'Internet of Things' and drones are examples of cyber applications that augment businesses.[53]

Disability and mobility challenges can also be ameliorated through the use of online platforms. Physical interaction spaces are complemented by cyber and online platforms, converging disparate markets and linking dispersed networks. Leveraging digital technology to enable smart enterprises that rely primarily on cyber as opposed to physical connections to conduct business can bypass a range of disadvantages faced by differently abled individuals.

46 Phan, L. (2016). Measuring Women's Empowerment at Household Level Using DHS Data of Four Southeast Asian Countries. Social Indicators Research, 126, 359–378. 10.1007/s11205-015-0876-y Asaolu, I.O. et al. (2018). Measuring Women's Empowerment in Sub-Saharan Africa: Exploratory and Confirmatory Factor Analyses of the Demographic and Health Surveys. *Frontiers in Psychology*, 9, 994. DOI: 10.3389/fpsyg.2018.00994

47 Bloom, D.E., Kuhn, M., & Prettner, K. (2017). Africa's Prospects for Enjoying a Demographic Dividend. *Journal of Demographic Economics* 83(1), 63–76. DOI: 10.3386/w22560

48 Bright, J., & Hruby, A. (2015). *The Next Africa.* New York: Thomas Dunne Books.

49 Norris, P. (2001). *Digital Divide: Civic Engagement, Information Poverty, and the Internet Worldwide.* Cambridge: Cambridge University Press.

50 Makridakis, S. (2017). The Forthcoming Artificial Intelligence (AI) Revolution: Its Impact on Society and Firms. *Futures* 90, 46–60. DOI: 10.1016/j.futures.2017.03.006

51 Chang, J., Rynhart, G. & Huynh, P. (2016). *ASEAN in Transformation: How Technology is Changing Jobs and Enterprises.* Geneva: International Labour Organisation.

52 Evans, O. (2018). Connecting the Poor: The Internet, Mobile Phones and Financial Inclusion in Africa. *Digital Policy, Regulation and Governance,* 20(6), 568–581. DOI: 10.1108/DPRG-04-2018-0018

53 David-West, O. & Evans, P.C. (2016). The Rise of African Platforms: A Regional Survey. Retrieved from https://www.researchgate.net/publication/306401003_The_Rise_of_African_Platforms_A_Regional_Survey

It is, of course, prudent not to name current technological progress a panacea to the world's multiple challenges in the present as well as the near future[54], specifically the various unique challenges facing Africa, and South Africa in particular.[55]

African countries have severe gaps in infrastructure, capital and human resources skills, hence a limited capacity to absorb and benefit from opportunities offered by the 4IR.[56] Laying foundational infrastructure, attracting investment and revamping education and training systems to impart relevant skills to youth and women are therefore critical imperatives.

It is also advisable to remain cognisant of, and responsive to, the risks or abuse inherent to currently poorly regulated technological capabilities.[57] Legislative, commercial and technical environments are not presently conducive to optimally operationalising digital capabilities. Varied stakeholder interests, rights of ownership (of data and intellectual property) and rights of privacy need to be carefully navigated. Issues of data colonialism, algorithm bias and manipulation for political and commercial gains are among the risks that need to be circumvented.[58]

Yet, undeniably, the potential of the 4IR is palpable, with the expanding digital economy widening options for entrepreneurship and innovative businesses.

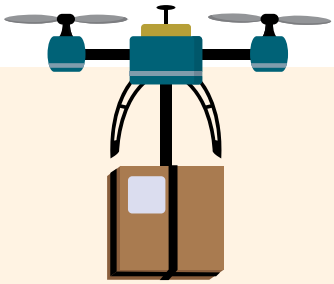
54 Mosco, V. (2005). *The Digital Sublime: Myth, Power, and Cyberspace.* Massachusetts: MIT Press.

55 Amankwah-Amoah, J., Osabutey, E.L.C., & Egbetokum, A. (2018). Contemporary Challenges and Opportunities of Doing Business in Africa: The Emerging Roles and Effects of Technologies. *Technological Forecasting and Social Change*, 131, 171–174. DOI: 10.1016/j.techfore.2018.01.003

56 *The Africa Competitiveness Report 2017: Addressing Africa's Demographic Dividend.* (2017). Geneva: The World Economic Forum (with the support of the International Bank for Reconstruction and Development, the World Bank and the African Development Bank). Retrieved from http://www3.weforum.org/docs/WEF_ACR_2017.pdf

57 Marsden, C.T. (Ed.) (2000). *Regulating the Global Information Society.* New York: Routledge.

58 Ruiz, J.B., & Barnett, G.A. (2015). Who Owns the International Internet Networks? *The Journal of International Communication,* 21(1), 38–57. DOI: 10.1080/13216597.2014.976583.



The digital economy is a double-edged sword

The digital economy is tangibly changing entrepreneurship landscapes across the world. Digital, artificial intelligence and machine capabilities are creating new forms of work, reshaping business models and enterprise, and instigating notable shifts across economic, social, legal and political spheres.[59]

Innovative application of technology is proving a powerful tool for solution finding and boosting entrepreneurial initiative, job creation and profit growth. Digital capabilities, however, are also triggering questions of transparency and accountability in the application of technology. For instance, the collection and use of consumer data for commercial purposes is a highly contested contemporary topic, as is the politicised use of market data for voter profiling. There is also resistance to unmanaged transitions from human skills to machines, particularly to the destabilising impact of high levels of retrenchment.[60] Critique of new models of work such as the 'gig economy' further points to possible labour rights infringements.

In South Africa and other African countries, the transformative power of the digital economy requires appropriate interventions to unlock and properly leverage its benefits. Intentional, strategic steps to maximise opportunities and avoid risky trade-offs are required.[61]

Concepts such as ecommerce remain unfamiliar to many entrepeneurs in Africa. At the moment, only a small percentage of entrepreneurs in both the formal and informal sector are aware of how to utilise technology to boost business.[62]

59 Castells, M. (Ed.) (2004). *The Network Society: A Cross-Cultural Perspective.* Massachusetts: Edward Elgar Publishing, Inc.

60 Peters, M.A. (2017). Technological Unemployment: *Educating for the Fourth Industrial Revolution. Educational Philosophy and Theory*, 49(1), 1-6. DOI: 10.1080/00131857.2016.1177412

61 Ndemo, B. & Weiss, T. (Eds.). (2017). *Digital Kenya: An Entrepreneurial Revolution in the Making.* London: Palgrave Macmillan.

62 Bitange, N. & Weiss, T. (2017). Making Sense of Africa's Emerging Digital Transformation and its Many Futures. *Africa Journal of Management,* 3(3-4), 328–347. DOI: 10.1080/23322373.2017.1400260

The future of trade in Africa

Ongoing market integration under the ambit of the ACFTA is creating a fertile context for the digital economy to sprout in Africa. The recently ratified ACFTA, scheduled to come into effect in 2020, is set to provide impetus for entrepreneurship and may further encourage the emergence of a vibrant digital economy on the continent.

This historic agreement between the African Union member states constitutes an ambitious initiative to unite African economies on a joint path towards prosperity by establishing the largest single market in the world. The ACFTA consolidates a market of over 1 billion people across 55 African states, with a combined GDP of over 2 trillion dollars. It aims to expand continental trade by facilitating ease of movement of people, goods and capital.

Provided this emerging policy environment can be implemented in practical and operationally efficient ways, there is potential to significantly enrich intra-African trade, support entrepreneurship in a digitised era, and grow the economies of African countries with an equitable distribution of benefits. However, there are several roadblocks to negotiate in realising the ACFTA. Reflecting specifically on women and youth in entrepreneurship, it is vital to consider how proposed policy frameworks will support or hinder the participation of these population segments in the emerging digital economy.

Pertinent issues to reflect on are:

Bridging the divide

In Africa, unemployment and underemployment of women and youth is a critical development issue, linked to issues of entrenched poverty and inequality.[63] These population segments, whether skilled or unskilled, face challenges seeking and gaining employment. When economically active, women and youth entrepreneurs are usually limited to informal sectors, which lack regulation and offer inadequate financial security.[64]

The fact that women and youth make up a substantial segment of the informal economy across the continent is an issue for serious, intelligent consideration. There is a need to acknowledge already active cross-border trade patterns, and to provide the necessary supportive frameworks to systematise and enlarge – not diminish – this trade. The question is how to generate opportunities that integrate rather than isolate the informal economy.[65]

So, how can the digital economy provide a bridging platform? Ideally, as the digital economy expands, informal economy traders and micro and small businesses (constituting mostly youth and women) will assume new, technologically integrated models and become financially uplifted. In such a scenario, expansion of the digital economy complements women and youth entrepreneurship.

Data collection and protection

Ensuring data availability and accuracy is a critical factor for consideration in successful business strategies and enterprises, and a key capability in the digital economy. Protecting African market and consumer data needs to go hand-in-hand with growing data accumulation and storage capacities.

A scenario where international role players monopolise access to data and use technological advancements to secure dominant market positions is not ideal. Digital economy expansion in this scenario serves to consolidate and capture markets for big players, and is a factor of further marginalisation for peripheral actors.

The cultural contexts of entrepreneurship

The cultural milieu within which businesses operate must also be interrogated.[66] It is important to promote the requisite cultural and societal transformation if women and youth are to benefit from changing policy and technological environments. Such transformations include mindset shifts that recognise the capabilities of women and youth as active market players and agents of development.

Addressing the specific barriers faced by women and youth in entrepreneurship includes facilitating access to education, training, financial services, technology and support networks.[67] While emerging continental policy contexts may catapult women and youth entrepreneurship to new heights in the future, multi-stakeholder efforts are needed to overcome the multiple hurdles faced at present.

63 Oluwatayo, I.B., & Ojo, A.O. (2016). Is Africa's Dependence on Agriculture the Cause of Poverty in the Continent? An Empirical Review. *The Journal of Developing Areas* 50(1), 93–102. DOI:10.1353/jda.2016.0016

64 Potts, D. (2008). The Urban Informal Sector in Sub-Saharan Africa: From Bad to Good (and Back Again?). *Development Southern Africa* 25(2), 151–167. DOI: 10.1080/03768350802090527
Ayentimi, D.T. & Burgess, J. (2019) Is the Fourth Industrial Revolution Relevant to Sub-Sahara Africa? *Technology Analysis & Strategic Management*, 31(6), 641–652. DOI: 10.1080/09537325.2018.1542129.

65 La Porta, R. & Shleifer, A. (2014). Informality and Development. *Journal of Economic Perspectives*, 28(3), 109–26. DOI: 10.1257/jep.28.3.109

66 *Women's Economic Empowerment in Sub-Saharan Africa: Recommendations for Business Action.* Retrieved from https://www.bsr.org/reports/BSR_Womens_Empowerment_Africa_Main_Report.pdf

67 Van Rooyen, C., Stewart, R., & De Wet, T. (2012). The Impact of Microfinance in Sub-Saharan Africa: A Systematic Review of the Evidence. *World Development*, 40, 2249–2262. DOI: 10.1016/j.worlddev.2012.03.012

An unconnected Africa

African countries continue to be affected by the digital divide, half the continent's population not having access to mobile broadband or the internet.[68] The largest proportion of this number is made up of women, mostly located in rural areas. It is estimated that up to half a billion rural and low-income African women do not have a mobile phone or internet access. The gender-based digital divide is an important issue to address if the challenges that women entrepreneurs in these regions already face are not to be compounded.

Hurdles to entrepreneurship in South Africa

The South African economy is currently teetering on the brink of a recession, registering a 43% decline in GDP growth in the just-completed 2010s decade, compared to the 2000s decade. This marked economic decline is intensifying national unemployment rates, which are at 29% – the highest rate recorded in the last decade. Employment rates among the youth and women are showing a concerning deterioration.[39] Additionally, crime statistics are bleak and the political context is unpredictable. The issue of xenophobia is another dimension to note in the context of the ACFTA.

This context has evident consequences for business and entrepreneurship, with low investor confidence adding to the cycle of poor economic performance and social discontent. Several core issues underpin current national challenges in South Africa and directly impact women and youth entrepreneurship including:

- a public sector that has suffered under the strain of mismanagement and poor leadership over the past decade, thereby creating unfriendly business environments and compromising economic growth;
- an education sector that is poorly resourced, underperforming and ill-equipped to train entrepreneurs in preparation for the 4IR; and
- continued inequalities held in place by sustained socio-economic stratifications. (Women and youth entrepreneurs, particularly those from informal sectors and rural areas, face constricted market access.)

State-led transformation for an equitable future

The commitment of the South African government to economic and social transformation among previously disadvantaged populations must be acknowledged. Several mechanisms, e.g. broad-based black economic empowerment, have been activated and supported by the state, in collaboration with various partners. These efforts are contributing – to some extent – to redressing historical legacies of exclusion and marginalisation.

> The Youth Employment Service (YES) initiative is a recent notable example targeted at assisting youth with skills training, business development and access to markets and employment opportunities. As a unique collaboration between the government, business and labour sectors, the initiative is a step towards solving youth unemployment.

Mandated by South African president Cyril Ramaphosa, the YES initiative aims to be an engine of job creation by leveraging emerging technological landscapes. The intention is to transform business practices and nurture entrepreneurship, enterprise development and growth, thereby "actively building new ways to create new jobs, in new places."

Another recent notable example is the establishment of the South African Presidential Commission on the 4IR, also appointed by President Ramaphosa. The 31-member commission is an advisory group mandated to assist the government's development of 4IR policies and frameworks for implementation. The commission is developing a multi-sectoral 4IR strategy which requires the coordination, monitoring and assessment of multi-sectoral initiatives. The aim is to ready South Africa's response to rapid digitisation while positioning the economy as smart, connected, regionally influential and globally competitive.

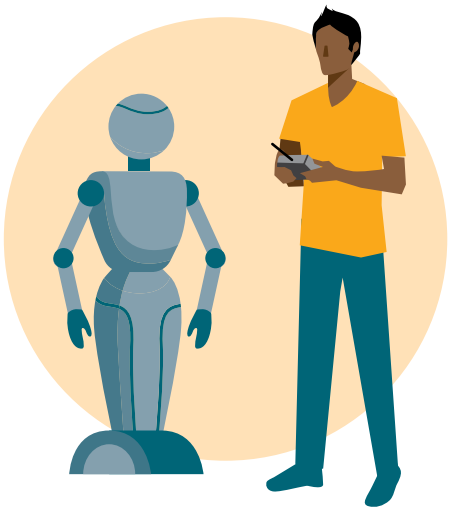
68 Mutsvairo, B., & Ragnedda, M. (2019). *Mapping the Digital Divide in Africa: A Mediated Analysis.* Amsterdam: Amsterdam University Press.

69 Magwentshu, N., Rajagopaul, A., Chui, M. & Singh, A. (2019). *The future of work in South Africa: Digitisation, Productivity and Job Creation.* Retrieved from https://www.mckinsey.com/~/media/mckinsey/featured%20insights/middle%20east%20and%20africa/the%20future%20of%20work%20in%20south%20africa%20digitisation%20productivity%20and%20job%20creation/the-future-of-work-in-south-africa.ashx

Rising to the challenge of the digital era

With incoming artificial intelligence, machine learning and robotics capabilities, African countries face both opportunities and obstacles as technological progress and digital advancements drive a developing digital economy. The imperative is to intelligently engage with possibilities and opportunities, while minimising the negative trade-offs of digital trends. Initiatives must be geared towards relevant innovations that drive entrepreneurship, equal development and sustainable growth outcomes in the long term.

However, requisite elements and resources are needed to ensure that new innovations are beneficially adopted to have far-reaching impacts. The obstacles to tackle are multiple. Most prominent is the continued digital divide that distances the majority of women and youth in Africa and South Africa from the positive possibilities presented by technology and the growing digitised economy.

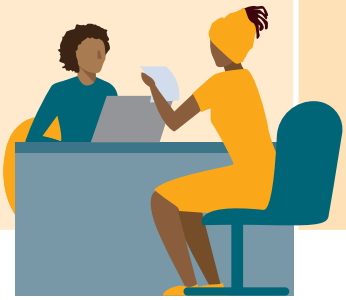


Several measures can be taken to better align women and youth in South Africa, and Africa more widely, with the entrepreneurship and employment opportunities of the digital era. These include:

addressing critical education gaps, including equitable access, content relevance and resource scarcity;

ensuring a conducive legislative and policy environment that promotes women and youth entrepreneurship growth nationally and across the continent;

mobilising financial investment, training and support mechanisms to nurture nascent entrepreneurs; and



nurturing entrepreneurship ecosystems by integrating suppliers, customers, partners and collaborators into value chains.

An important first step is raising awareness and sharing information on digital economy options among women and youth entrepreneurs. Access to necessary skills building and other resources also needs to be facilitated. Targeted policy interventions can ensure the most peripheral segments of populations have access to the potential benefits of digitisation, and are protected from risks of further socio-economic isolation and marginalisation.[70]

These selected suggestions are drawn from many possible steps that can be taken towards ensuring the success of women and youth entrepreneurship generally, and specifically within a digital economy. These measures, whilst not novel, continue to demand committed action.

The expansion of technological capabilities and digitisation has immense potential to ignite women and youth entrepreneurship and propel growth and development in African countries, provided it is intelligently engaged with, relevantly applied and properly harnessed.

70 Gyamfi, A. (2005). Closing the Digital Divide in Sub-Saharan Africa: Meeting the Challenges of the Information Age. *Information Development*, 21(1), 22–30. DOI: 10.1177/0266666905051910.

SECTION 5

Conclusions and recommendations

To move from startup to scale requires the right support from the government and the private sector alike. In this section, we consider how entrepreneurship can and should be strengthened and explore new ways to accelerate entrepreneurial innovation. We leave the reader with answers to the pivotal question posed by the GEM SA results: how do we ensure that more entrepreneurs flourish in South Africa?

"Entrepreneurship is an essential driver of societal health and wealth, and a formidable engine of economic growth. It promotes the innovation required not only to exploit new opportunities, promote productivity and create employment, but also to help address some of society's toughest challenges, as stated in the United Nations Sustainable Development Goals (SDGs). Many of the world's governments, think tanks, non-governmental and international organisations now look towards entrepreneurship as a key part of the solution to ending poverty and social inequity, promoting women's empowerment, and implementing business solutions to the world's environmental challenges, including climate change."[71]

Introduction

From a global perspective, South Africa's performance on key entrepreneurship activity drivers is disappointing. In 2019, the country ranked a lowly 49 out of 54 economies on GEM's NECI and 60 out of 141 economies on the Global Competitiveness Index (only a slight improvement from 2018). It also ranked 84 out of 190 economies in the World Bank Doing Business 2020 study.

The GEM SA 2019/2020 results, as detailed in this report, indicate that **there have not been many tangible entrepreneurship gains from 2017** and that, in many instances, there has been a regression. Undoubtedly, these results have been affected by prevailing economic and related domestic realities.

The findings and recommendations below are formulated on the basis of the 2019/2020 GEM SA findings. It assumes a positive outlook on the emergent government intentions to turn the economy around, and holds an expectation that the private sector and other stakeholders will align on the entrepreneurship development agenda to make a positive, definitive impact on inclusive economic growth and revival.

The findings and recommendations relate to four core factors: South Africa's national framework conditions (NFCs), the entrepreneurial ecosystem network, education and training, and funding. As will be made apparent in this section, South Africa needs to strengthen its NFCs for maximum entrepreneurial impact; align the entrepreneurial ecosystem networks of learning, mentorship and support; provide entrepreneurial education for the 4IR and the digital economy; and accelerate financing innovation and access to markets.

71 Bosma, N. et al. (2020). *GEM Global Report 2019/2020*, 13. Retrieved from http://www.gemconsortium.org/report

Strengthen national framework conditions (NFCs) for maximum entrepreneurial impact

Entrepreneurial activity and success are highly dependent on the environment as contextual factors (economic, political, social and other) directly influence the creation of unique business and entrepreneurial contexts.

Fifty-four economies participated in the 2019 GEM National Expert Survey (NES) in which experts assessed the GEM-defined framework conditions for supporting entrepreneurship. The GEM global findings for 2019/2020 show that physical infrastructure is universally rated as the most developed of the framework conditions, and entrepreneurship education at school level as the least developed, weakest condition.[72]

In 2019, the South African ratings on the NES framework conditions were, across the board, lower than in 2017. From the 2019 NECI rankings, the conclusion is clear: **South Africa's entrepreneurial ecosystem is one of the worst in the sample of participating economies** and exhibited little sign of improvement over the past few years; in many cases, it is on the decline.

All of the South African NFCs require strengthening. However, the first recommendation offered here focuses specifically on the following framework conditions: **education** in general and entrepreneurial education at the primary and secondary levels more specifically; **government policies and programmes** relating to entrepreneurship activity and the development of small, medium en micro enterprises (SMMEs); **research and development transfer**; and **internal market burdens**. From the open-ended responses to the expert interviews, it is recommended that another two conditions be added, namely **building capacity for entrepreneurship** and **creating a deeper culture of entrepreneurship** in the country.

As indicated in this report, a key characteristic of the entrepreneurial ecosystem is heterogeneity, also in terms of geographical differentiators. The Department of Small Business Development has identified **spatial differentiation** as an important consideration for inclusive SMME development.[73] The recommendation here is that the framework conditions are further researched for increased granularity regarding the differences between provinces, between rural and urban zones in the same province, and between developed economic zones and townships in cities.

> The government increasingly acknowledges the importance of entrepreneurs and small businesses in achieving sustainable, inclusive economic growth and realises the need to urgently put in place a series of **policy reforms** to support this goal.

For example, from his February 2020 budget speech [74], it is clear that the Finance Minister sees startups as economic firestarters and believes that the tax system supports them in a number of ways, including through the preferential small business tax regime, the VAT registration threshold and turnover tax.

Regarding company registration and compliance, BizPortal[75] is a digital platform developed by the Companies and Intellectual Property Commission (CIPC) for the simplification of company registration and related services. It aims to improve the ease of doing business in South Africa, specifically when it comes to starting a business. In this regard, the goal is to enable new businesses to be registered in a single day (including registering with the CIPC, SARS, the Unemployment Insurance Fund and the Compensation Fund).

These developments are encouraging, but are they enough and will they sufficiently reduce the cost and complexity of compliance for entrepreneurs? Ideally, SMMEs' compliance should be simplified to the point where they are self-reliant. For these enterprises, the ease and costs of doing business are key challenges worldwide, and it is recommended that a comparative study of recent lessons (2018–2020) be conducted.

To facilitate the ease of doing business for SMMEs, the Department of Small Business Development has proposed **three urgent interventions**: introducing generic by-laws for informal traders to conduct business in municipalities; reducing the costs of tender documents and scrapping unnecessary compulsory briefings to participate in tenders; and tabling the SMME Ombudsman Services Bill to provide a less costly dispute resolution mechanism.[76]

72 Bosma, N. et al. (2020). *GEM Global Report 2019/2020*. Retrieved from http://www.gemconsortium.org/report
73 Ntshavheni, K. (Minister of Small Business Development). (2019). Address on the occasion of delivering Budget Vote 31 on Small Business Development. 12 July, Cape Town.
74 Mboweni, T.T. (Minister of Finance). (2020). 2020 Budget Speech. Retrieved from http://www.treasury.gov.za/documents/national%20budget/2020/speech/speech.pdf
75 https://bizportal.gov.za
76 Ntshavheni, K. (Minister of Small Business Development). (2019). Address on the occasion of delivering Budget Vote 31 on Small Business Development. 12 July, Cape Town

A further measure is to standardise funding application templates across all development finance institutions in South Africa (Small Business and Innovation Fund, Public Investment Corporation, Industrial Development Corporation of SA, National Empowerment Fund, Land Bank, etc.) and then lobby commercial banks to adopt these templates. This will lower the burden on SMME's and create clarity of application requirements for new enterprises.[77]

The government is responsible for setting new policy directions for supporting economic development and entrepreneurial activity. It is, however, unrealistic to expect the government to be the sole driver of change. All stakeholders – including government, the private sector, the education sector, and others – need to align their thinking and their efforts to ensure a vibrant entrepreneurial ecosystem.

The challenge of existing labour legislation and its applicability to startups was again highlighted in the national expert interviews. There are two issues here, the first being the applicability and feasibility of quite rigid labour regulations to small businesses. The second, broader issue is that the world is evolving and full-time employment as the common standard is changing rapidly, especially so in the digital economy, where knowledge and skills are often traded across multiple employment opportunities.

The payments to SMMEs for products and services, and specifically the late payment by government, has a negative impact on the survival and growth of SMMEs. This needs to be urgently addressed at all levels of government.

Align the entrepreneurial ecosystem networks of learning, mentorship and support

Entrepreneurship involves identifying unique opportunities in the market for value creation or, at the other end of the scale, any attempt to create an opportunity to make a living. In both instances, networks of support and learning make a real difference to entrepreneurs' chances at success.

There are various institutions and organisations across the public and private sectors that provide support to entrepreneurs. Seda, for example, has established incubators across the country. There are also many good private sector incubators and most universities have established innovation, technology and intellectual property transfer and commercialisation initiatives, most of which are located in urban areas.

It is crucial that entrepreneurs have access to information, and opportunities to test their ideas before going to market. **The key question, therefore, is how accessible these institutions and organisations are** to new business owners, or to those needing advice and guidance on how to start and develop their enterprises. The Department of Small Business Development has suggested that entrepreneurial support should be evaluated at a national level through the development of **a SMME business index** that measures the impact of support initiatives among stakeholders involved in such enterprises.[78]

Access to networks, peers, role models and mentors is more likely in the key urban areas, the need for expansion into townships and rural areas being clear. Conferences and expos are aplenty, but they are expensive to attend. It is proposed that both the public and private sectors be called on to sponsor young entrepreneurs to attend such events.

A further consideration around entrepreneurial support is how to rectify its currently unequal differentiation across business types and sectors, stages of growth (startup, early establishment, established) and size of business (micro, small and medium). Furthermore, the informal sector should be supported, regardless of whether or not informal initiatives eventually transition to formal businesses, as they contribute significantly to job creation and skills development.

The GEM global data suggest an increase in entrepreneurship activity over the past two decades, albeit at a slower pace than what the hype and rhetoric around entrepreneurship would suggest.[79] South Africa, as a developing middle-income country, clearly has great potential for ramping up entrepreneurial activity development.

Whilst entrepreneurship can result in wealth creation, it also **provides opportunities for innovation and job creation**, and **can be purpose driven to make a difference in society**. Facilitating and **nourishing a culture of entrepreneurship in South Africa** will encourage more people to see starting their own enterprise as a positive alternative to employment and a career path of choice. **The media have an important role to play** in this regard.

77 Ibid.

78 Ntshavheni, K. (Minister of Small Business Development). (2019). Address on the occasion of delivering Budget Vote 31 on Small Business Development. 12 July, Cape Town.

79 Bosma, N. et al. (2020). *GEM Global Report 2019/2020.* Retrieved from http://www.gemconsortium.org/report

Entrepreneurial success stories abound in South Africa, media coverage of such stories having increased on different platforms over the past few years. These stories are excellent material for learning and sharing. As such, it is proposed that funding be made available by government and the private sector to research and develop these narratives into case studies that are made freely available to the public.

Women and the youth in entrepreneurship

Women and youth in entrepreneurship are **critical levers for inclusive economic growth and development** in South Africa. But are more women coming on board as entrepreneurs?

The ratio of male to female entrepreneurial activity in South Africa has changed from 1.52 in 2017 to 1.14 in 2019, indicating that **female entrepreneurship is indeed on the rise**. Women make up more than 50% of the adult population in South Africa and this ratio should ideally reflect this statistic.

As indicated in **Section 4**, research shows that economic participation by women has wide-reaching impacts and holds benefits for both communities and the economy.

Similarly, **empowering the youth with capabilities can unleash untapped talent and potential**, which is sorely needed in South Africa where youth unemployment is currently at record levels.

The commitment of the South African government to economic and social transformation among previously disadvantaged populations is seen both in policy interventions and various programmes of action. In his State of the Nation Address in February 2020, President Cyril Ramaphosa announced specific, far-reaching **national strategies for bolstering entrepreneurship amongst women and the youth**. Some highlights include:[80]

- The Presidential Youth Employment Intervention will be implemented over the next five years to reduce youth unemployment through means of the following priority actions: (i) creating pathways for young people into the economy; (ii) improving youth entrepreneurship support; (iii) expanding the Youth Employment Service (YES); and (iv) establishing a Presidential Youth Service programme. One percent of the national budget is to be reallocated to youth employment initiatives.

- The National Youth Development Agency and the Department of Small Business Development will provide grant funding and business support to 1 000 young entrepreneurs in the next 100 days. This forms part of a more ambitious programme to assist 100 000 young entrepreneurs over the next three years in accessing business skills training, funding and markets.

- Women will be empowered for inclusive economic growth through the introduction of the SheTradesZA platform that will assist women-owned businesses in participating in global value chains and markets.

- The Industrial Development Corporation will target R10 billion of its own and partners' funding for women-empowered businesses over the next five years.

- The South African government will designate 1 000 locally produced products that must be procured from SMMEs to help create a larger market for small businesses.

These strategies are commendable and, if successful, will impact massively on entrepreneurial development in the country.

80 Ramaphosa, C. (President of South Africa). 2020. *State of the Nation Address.* 13 February. Retrieved from https://www.parliament.gov.za/state-nation-address-president-cyril-ramaphosa-13-february-2020

Provide entrepreneurial education for the 4IR and the digital economy

In all countries, an educated population with the requisite knowledge and skills, and with a capacity for innovation, has proven vital to driving competitiveness, productivity and sustainable growth.

The challenges faced by South Africa's overall education system were highlighted in this report. Over and above the general education system's underperformance, the delivery of entrepreneurial education, knowledge and skills also needs to be addressed.

From the GEM SA results, we saw that expert commentators continue to concur that **the education system in South Africa does not align with or support entrepreneurial knowledge development**. Entrepreneurial education, specifically on market economic principles and entrepreneurship and new firm creation, scored extremely low on the NES in 2019, even lower than in 2017. These low scores also need to be considered in the context of the 4IR and the rapidly evolving digital economy.

Primary and secondary education institutions in particular need to align their curricula **to provide learners with new capabilities for succeeding in a rapidly changing world**. Entrepreneurial education is also important in artisan training and other technical vocational programmes, as these professions are ideally suited to enterprise development.

The following steps are recommended in revising entrepreneurial education:

(i) consider what education is relevant in the context of the 4IR and the digital economy; (ii) determine when in the education life cycle entrepreneurial learning should commence and how it should evolve and intensify in depth and complexity; and (iii) consider how best to equip educators to properly prepare the youth for the possibility of entrepreneurship as a career and life choice.

A final point regarding entrepreneurial education relates to sector development. New enterprise development has traditionally flourished in sectors with lower barriers to entry such as wholesale and retail trades, personal care services, business services and construction. For their own benefit and that of the economy, **entrepreneurs should ideally have a greater share of higher-value sectors**. This will require capital raising and, most importantly, greater entrepreneurial education and knowledge.

Apart from entrepreneurial education, other challenges too remain in the context of the 4IR. A critical issue for entrepreneurs in the digital economy is data costs, which are high in South Africa. Many of the future's entrepreneurial opportunities will exist on digital platforms; **data costs will need to come down significantly if these opportunities are to be seized**. The Competition Commission in February released its report on data costs and made overall recommendations for data pricing in prepaid monthly bundles, as well as pro-poor and zero-rating recommendations. However, it is likely that data pricing will only really find balance once the Independent Communications Authority of South Africa concludes the licensing of high-demand spectrum for industry via auction, hopefully this year.

A very positive development is the establishment of the **South African Presidential Commission on the 4IR**, appointed and chaired by President Ramaphosa in 2019. The commission will soon be reporting on its findings, which will inform national policy and 4IR economic sector strategies and initiatives for global competitiveness.

Accelerate financing innovation and improve access to markets

Access to funding is a universal problem among entrepreneurs. The dilemma is not necessarily that there is no funding for entrepreneurship development, but rather that there is **a natural tension between the entrepreneurial idea and the funding risk**.

There is, in fact, an abundance of potential funders in South Africa. The experts interviewed are fairly positive about the availability of entrepreneurial finance. The South African overall average for this framework condition is 4, compared to the GEM Global average of 4.5. The real challenge perhaps lies in the fact that **pitching to funders requires a viable business idea, a business plan and differentiation, and a great deal of preparation**.

A key recommendation here is that incubators and other support systems prepare and educate entrepreneurs on how to approach funders, and on what kind of funding is most appropriate for the life cycle and specific needs of their enterprise.

Funding-related suggestions from national entrepreneurship experts (in 2019 and previously) include the following:

- allow angel investors and venture capitalists to write off their investment in the first year rather than having to amortise it over many years, which increases their risk;
- persuade banks, other financial institutions and the government to improve their turnaround times on financial support and to set targets for doing so;
- provide national and provincial funding fairs and competitions for entrepreneurs, sponsored by public-private partnerships;
- develop new mechanisms and criteria for funding decisions beyond strictly asset-based approaches that hinge on collateral requirements; and
- build a culture of and greater awareness and support for crowdfunding opportunities.

In support of the above, it is recommended that a **national digital platform** is developed that can match funders to opportunities and entrepreneurs to funders, and that the public and private sector jointly invest in its development.

Finally, on the topic of more affordable finance for SMMEs, the recent announcement of the introduction of **a blended financing model** by the Department of Small Business Development is a great leap forward.[11] This model will mix grants (a grant portion constituting up to a maximum of R2.5 million per enterprise) and loans to ensure the sustainability of new enterprises for maximum development impact. The Small Enterprise Finance Agency (Sefa) will collaborate with the Department of Small Business Development, other government entities and the private sector to deliver blended financing through the new **Small Business and Innovation Fund** (a joint fund of the Department of Small Business Development and the Department of Higher Education, Science and Technology). The budget for 2019/2020 is R1 billion and the target is to fund 100 000 young entrepreneurs in this period.

Open, efficient market systems with healthy competition is good for economic inclusion, innovation in products and services, and realistic and fair pricing. The GEM SA findings show that **experts perceived a deterioration in market openness in 2019**, compared to 2017.

The South African market is essentially still **dominated by large monopolies** (especially in the retail and wholesale, energy supply, telecommunications and financial services sectors). This increases the cost of doing business for small companies and prevents them from having ease of access to markets, including government procurement opportunities.

In President Ramaphosa's State of the Nation Address in February, it was announced that new regulations published in the Government Gazette will enable investigation into and action against price discrimination and abuse of buyer power; this will help even the playing field for small businesses and emerging entrepreneurs.[12]

Whilst monopolistic dominance in key sectors needs to be addressed in the longer term, the immediate term needs to see the private sector opening up its value chains for SMME participation, not for compliance reasons (B-BBEE) but to genuinely contribute to enterprise development and economic growth. SMMEs rely far too heavily on government support – the private sector needs to step up.

81 Ntshavheni, K. (Minister of Small Business Development). (2019). Address on the occasion of delivering Budget Vote 31 on Small Business Development. 12 July, Cape Town.

82 Ramaphosa, C. (President of South Africa). (2020). *State of the Nation Address.* 13 February. Retrieved from https://www.parliament.gov.za/state-nation-address-president-cyril-ramaphosa-13-february-2020

Economy profiles

South Africa

Population (2019)
57.7 million

GDP growth (2018, annual % change)
0.8%

GDP per capita (2018; PPP, international $)
13.63 thousand

World Bank Ease of Doing Business rating (2019)
67.0/100
Rank: 84/190

World Bank Starting a Business rating (2019)
81.2/100
Rank: 139/190

World Economic Forum Global Competitiveness rank (2019)
60/141

World Economic Forum Income Group average (2019)
Upper–middle

Attitudes and perceptions

	% Adults	Rank/50
The respondent knows someone who has started a new business	28.3	49
The respondent perceives good opportunities to start a business in his/her area	60.4	16
The respondent believes it is easy to start a business	63	14
The respondent believes he/she personally has the skills and knowledge to start a business	60.4	23
The respondent is too scared of failure to start a business	49.8	8
The respondent has entrepreneurial intentions	11.9	=37

Activity

	% Adults	Rank/50	% Female	% Male
Total early-stage entrepreneurial activity	10.8	25	10.2	11.4
Established business ownership rate	3.5	44	2.6	4.5
Entrepreneurial employee activity	0.4	=44	0.8	1.5

Motivational

(% of adults who agree strongly or somewhat that their primary motivation to start a business would be...)

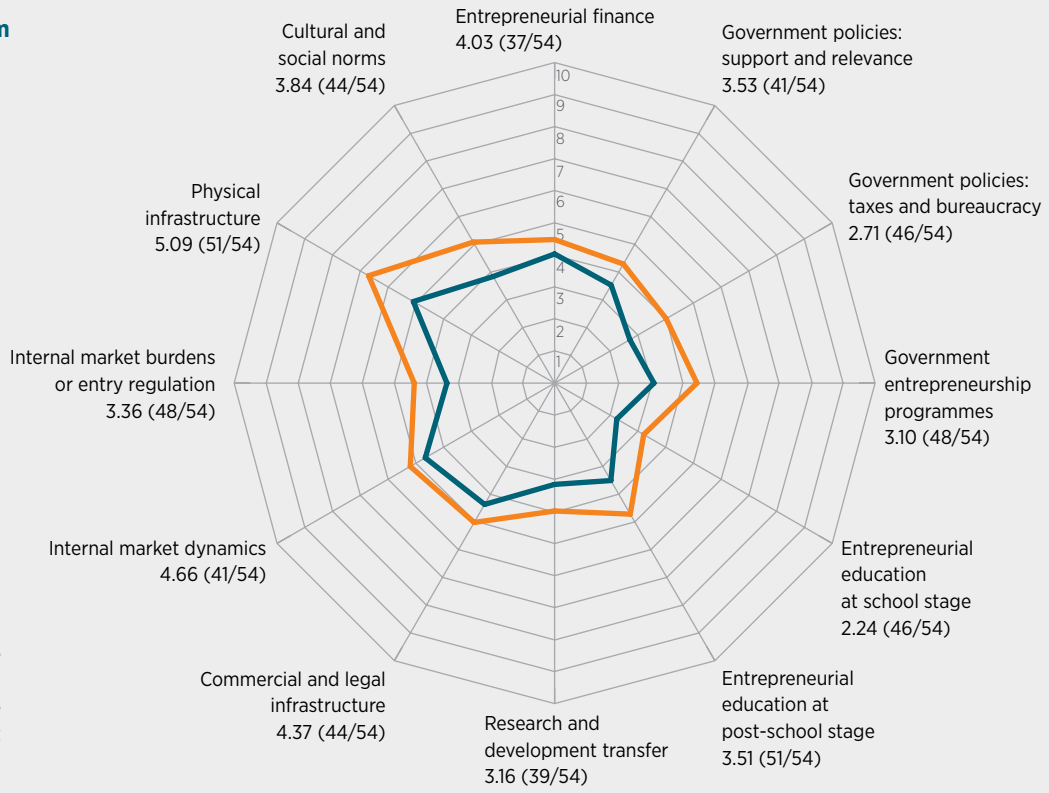
	% Adults	Rank/49	% Female	% Male
To make a difference	85	2	87.1	82.9
To build great wealth	78.9	6	74	83.6
To continue family tradition	48	12	52.5	43.7
To earn a living	90.3	3	91.2	89.4

Entrepreneurship impact

	% Adults	Rank/50*
Job expectations (6+)	3.3	=17
International (25%+ revenue)	0.9	=26
National scope (customers and products/process)	0.9	=34
Global scope (customers and products/process)	0.1	=34
Industry (% TEA in business services)	9.7	37

*An equals sign (=) indicates that the ranking position is tied with another economy or economies.

Expert ratings of the entrepreneurial framework conditions (EFCs)



EFCs scale:
0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets.

Policy roadmap

The South African economy remains sluggish, with real GDP per capita declining since 2011. The full-year 2019 GDP growth forecasts were around 0.4% or lower, and consensus economic growth forecasts for 2020 are now below 1%. South Africa's official unemployment rate, now at 29.1%, is at its highest level in 11 years. If the expanded definition of unemployment (which includes people who have stopped looking for work) is to be used, the country's unemployment rate looks even more dismal at an estimated 38.5%. The youth (specifically persons aged between 15 and 24 years) remain the most vulnerable group, currently with an unemployment rate of 58.2%.

The South African government increasingly acknowledges the importance of entrepreneurs and small businesses in achieving sustainable and inclusive economic growth, as well as the need to urgently implement a series of policy reforms to support this goal.

In July 2019, the Minister of the Department of Small Business Development announced new measures in pursuit of economic transformation and job creation through the development of small businesses and cooperatives. [83] These measures include, amongst others, (i) making funding available through all of the department's centres, with commitments to significantly improving funding turnaround times; (ii) introducing common templates for funding applications across all South African development finance institutions; (iii) introducing the Small Business Innovation Fund, which will use a blended finance model to lower financial costs for entrepreneurs through means of loans and grants; and (iv) making provision to fund partner organisations (incubators) under certain conditions. [84]

The South African government increasingly acknowledges the importance of entrepreneurs and small businesses in achieving sustainable and inclusive economic growth, as well as the need to urgently implement a series of policy reforms to support this goal.

83 Ntshavheni, K. (Minister of Small Business Development). (2019). Address on the occasion of delivering Budget Vote 31 on Small Business Development. 12 July, Cape Town.

84 Staff reporter. (2019). Here are SME minister's new measures to boost small business finance. Retrieved from https://ventureburn.com/2019/11/small-business-minister-funding-measures

Institution	Team	Funders	APS vendor	Contact
Lead institution University of Stellenbosch Business School (USB)	**Team leader** Angus Bowmaker-Falconer	Small Enterprise Development Agency (Seda)	Nielsen South Africa	abf@sun.ac.za
Type of institution University	**Team member** Mike Herrington			
Website https://www.usb.ac.za	**Steering committee** Dr Marietjie Theron-Wepener (Chair), Small Business Academy, USB Prof. Marius Ungerer, Strategy and Leadership, USB Mduduzi Dlamini, Manager Research and Development, Seda Caswell Maloka, Specialist Research and Development, Seda			
Other institutions involved Seda				

USB
University of Stellenbosch Business School
Responsible leaders. We shape them.

Egypt

Population (2019)
97 million

GDP growth (2018, annual % change)
5.3%

GDP per capita (2018; PPP, international $)
13.36 thousand

World Bank Ease of Doing Business rating (2019)
60.1/100
Rank: 114/190

World Bank Starting a Business rating (2019)
87.8/100
Rank: 90/190

World Economic Forum Global Competitiveness rank (2019)
93/141

World Economic Forum Income Group average (2019)
Lower–middle

Attitudes and perceptions

	% Adults	Rank/50
The respondent knows someone who has started a new business	52.0	26
The respondent perceives good opportunities to start a business in his/her area	73.5	6
The respondent believes it is easy to start a business	64.0	13
The respondent believes he/she personally has the skills and knowledge to start a business	67.3	14
The respondent is too scared of failure to start a business	54.8	3
The respondent has entrepreneurial intentions	61.6	2

Activity

	% Adults	Rank/50	% Female	% Male
Total early-stage Entrepreneurial Activity	6.7	43	4.1	9.2
Established Business Ownership rate	1.5	49	0.8	2.1
Entrepreneurial Employee Activity	0.2	=47	1.6	7.1

Motivational

(% of adults who agree strongly or somewhat that their primary motivation to start a business would be...)

	% Adults	Rank/49	% Female	% Male
To make a difference	57.0	12	63.0	54.5
To build great wealth	77.3	7	77.4	77.3
To continue family tradition	51.1	10	43.7	54.2
To earn a living	63.6	25	74.9	58.8

Entrepreneurship impact

	% Adults	Rank/50*
Job expectations (6+)	2.5	=28
International (25%+ revenue)	0.6	=32
National scope (customers and products/process)	0.8	=37
Global scope (customers and products/process)	0.1	=34
Industry (% TEA in business services)	2.8	48

*An equals sign (=) indicates that the ranking position is tied with another economy or economies.

Expert ratings of the entrepreneurial framework conditions (EFCs)

EFCs scale:
0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets

Policy roadmap

In 2019, Egypt and the World Bank signed a $200 million agreement to support entrepreneurs and SMEs. This agreement focuses on increasing the volume of credit available to SMEs, thereby enhancing their access to credit. It also aims to remove obstacles faced by young men and women in starting a business.

The UN Development Programme (UNDP) also continues its support of the Egyptian Micro, Small and Medium Enterprises Development Agency (MSMEDA) in its development of the MSME sector both directly and through the coordination of entrepreneurial stakeholders. Through the UNDP–MSMEDA partnership, MSMEDA has disbursed over 11.2 billion Egyptian pounds (EGP) as loans to MSMEs, reaching 526 858 micro and small enterprises and creating over 800 000 jobs.

Women in particular have benefited from this financial support, making up 48% of the beneficiaries. Moreover, 45% of beneficiaries were aged between 20 and 35.

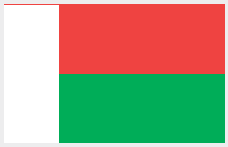
Financing for SMEs in Egypt was ramped up by 91.5% to reach EGP8.5 billion at the end of March 2018, compared to EGP4.9 billion in 2017.

The GEM Egypt NES numbers show a noticeable increase in the education sector in both school and post-school stages.

Several regulatory reforms and support programmes have been implemented in Egypt over the past three years. However, most of these reforms focus more on larger companies than on startups, micro and small enterprises. Major administrative reforms are needed to reduce red tape and improve the operating environment for the latter group.

Women in particular have benefited from the financial support of the UNDP-MSMEDA partnership, making up 48% of the beneficiaries. Moreover, 45% of beneficiaries were aged between 20 and 35.

Institution	Team	Funders	APS vendor	Contact
Lead institution The American University in Cairo School of Business	**Team leader** Prof. Ayman Ismail, PhD	Drosos Foundation Oxfam Novib (Danish Arab Partnership Programme) Hivos	PHI Knowledge	aymanism@aucegypt.edu
Type of institution Business school	**Team members** Prof. Ahmed Tolba, PhD Dr Shima Barakat, PhD Dr Hakim Adel Hakim Meshreki, PhD Seham Ghalwash, MSc			
Website https://business.aucegypt.edu				



Madagascar

Population (2019)
26.3 million

GDP growth (2018, annual % change)
5.2%

GDP per capita (2018; PPP, international $)
1.63 thousand

World Bank Ease of Doing Business rating (2019)
47.7/100
Rank: 161/190

World Bank Starting a Business rating (2019)
88.5/100
Rank: 80/190

World Economic Forum Global Competitiveness rank (2019)
132/141

World Economic Forum Income Group average (2019)
Low

Attitudes and perceptions

	% Adults	Rank/50
The respondent knows someone who has started a new business	51.0	30
The respondent perceives good opportunities to start a business in his/her area	46.8	31
The respondent believes it is easy to start a business	38.0	32
The respondent believes he/she personally has the skills and knowledge to start a business	73.5	6
The respondent is too scared of failure to start a business	41.0	30
The respondent has entrepreneurial intentions	44.5	6

Activity

	% Adults	Rank/50	% Female	% Male
Total early-stage entrepreneurial activity	19.5	8	19.6	19.3
Established business ownership rate	20.2	1	20.4	20.0
Entrepreneurial employee activity	0.6	=38	1.0	1.3

Motivational

(% of adults who agree strongly or somewhat that their primary motivation to start a business would be...)

	% Adults	Rank/49	% Female	% Male
To make a difference	8.8	49	6.3	11.6
To build great wealth	23.5	46	22.1	25.0
To continue family tradition	36.8	16	34.8	38.9
To earn a living	81.1	15	82.7	79.4

Entrepreneurship impact

	% Adults	Rank/50*
Job expectations (6+)	1.5	=41
International (25%+ revenue)	0.2	=45
National scope (customers and products/process)	0.1	=48
Global scope (customers and products/process)	0.1	=34
Industry (% TEA in business services)	1.3	50

*An equals sign (=) indicates that the ranking position is tied with another economy or economies.

Expert ratings of the entrepreneurial framework conditions (EFCs)

EFCs scale:
0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets

Policy roadmap

Madagascar's development strategy for rural entrepreneurship was broadened, resulting in the creation of 1 287 formal enterprises in 2018. The strategy focuses on encouraging women's participation in business through a gender-based policy for women in entrepreneurship, and the Fihariana Programme Initiative, which provides entrepreneurship and entrepreneurial culture training to women. Madagascar is also targeting young people with a trophy competition for young entrepreneurs and through "Thursday entrepreneurial platforms" – round table discussions in which the student entrepreneurs club shares knowledge about entrepreneurship in Madagascar.

However, access to finance continues to slow entrepreneurship development, as does a lack of supervision, training, resources and knowledge for startups. According to the Doing Business 2019 report, major changes in investment conditions have contributed to these obstacles. To address these challenges, an assessment system for borrowers will be established through a credit bureau.

According to the results of GEM 2019, areas deserving special attention include (i) the revision of government policies in terms of gender equality, youth empowerment, rural areas and the social domain; (ii) the financing of entrepreneurship; (iii) good governance; and (iv) entrepreneurship education and training. Regarding the financing of entrepreneurship, the fear of failure among those surveyed was higher in 2019 at 41% than in 2018 (36.6%). Among nascent and new entrepreneurs, only 5.4% of those surveyed are undertaking social activities.

Success in meeting the UN SDGs depends on enterprise creation and the innovations it brings. Job creation (Goal 8: Decent work and economic growth) is at the core of Madagascar's goals. In 2019, expert recommendations focused on the workforce, including the development of entrepreneurship in Madagascar, the TEA rate having been relatively stable over the last three years (21.8% in 2017, 20.7% in 2018 and 19.5% in 2019).

Arrangements are underway to facilitate young people's access to finance, this having been identified as an area for improvement in the encouragement of entrepreneurship development. The Central Bank of Madagascar has created a credit information bureau, the Bureau d'Information sur le Crédit, to address the asymmetry of information between lenders and borrowers. This tool allows creditors to respond positively to potential borrowers' credit applications based on the reputation guarantee gained from a scoring system. Training and entrepreneurial education are also helping to reduce risk and fear of failure.

The Fihariana Programme remains relevant as the GEM results show gender equity in the business community. Of the 1 287 formal enterprises created in 2018, 83% were in the primary sector where women outnumber men. With its continued focus on encouraging individuals of 18 and older to pursue entrepreneurship, the youth incentive policy is expected to achieve the targets set in SDG Goal 8b by 2020.

Institution	Team	Funders	APS vendor	Contact
Lead institution Institut National des Sciences Comptables et de l'Administration d'Entreprises (INSCAE)	**Team leader** Prof. Claudine Ratsimbazafy, PhD	Centre de Recherche pour le Développement International du Canada (CRDI)	Institut National de la Statistique (INSTAT)	cratsimbazafy@gmail.com
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Other institutions involved Université du Québec à Trois-Rivières (UQTR)				

Morocco

Population (2019)
35.2 million

GDP growth (2018, annual % change)
3%

GDP per capita (2018; PPP, international $)
8.93 thousand

World Bank Ease of Doing Business rating (2019)
73.4/100
Rank: 53/190

World Bank Starting a Business rating (2019)
93/100
Rank: 43/190

World Economic Forum Global Competitiveness rank (2019)
75/141

World Economic Forum Income Group average (2019)
Lower–middle

Attitudes and perceptions

	% Adults	Rank/50
The respondent knows someone who has started a new business	51.2	29
The respondent perceives good opportunities to start a business in his/her area	57.7	18
The respondent believes he/she personally has the skills	27.0	45
The respondent believes he/she personally has the skills and knowledge to start a business	62.4	17
The respondent is too scared of failure to start a business	42.5	26
The respondent has entrepreneurial intentions	41.9	8

Activity

	% Adults	Rank/50	% Female	% Male
Total early-stage entrepreneurial activity	11.4	24	7.8	15.1
Established business ownership rate	7.9	22	4.4	11.5
Entrepreneurial employee activity	0.3	46	0.6	1.7

Motivational

(% of adults who agree strongly or somewhat that their primary motivation to start a business would be...)

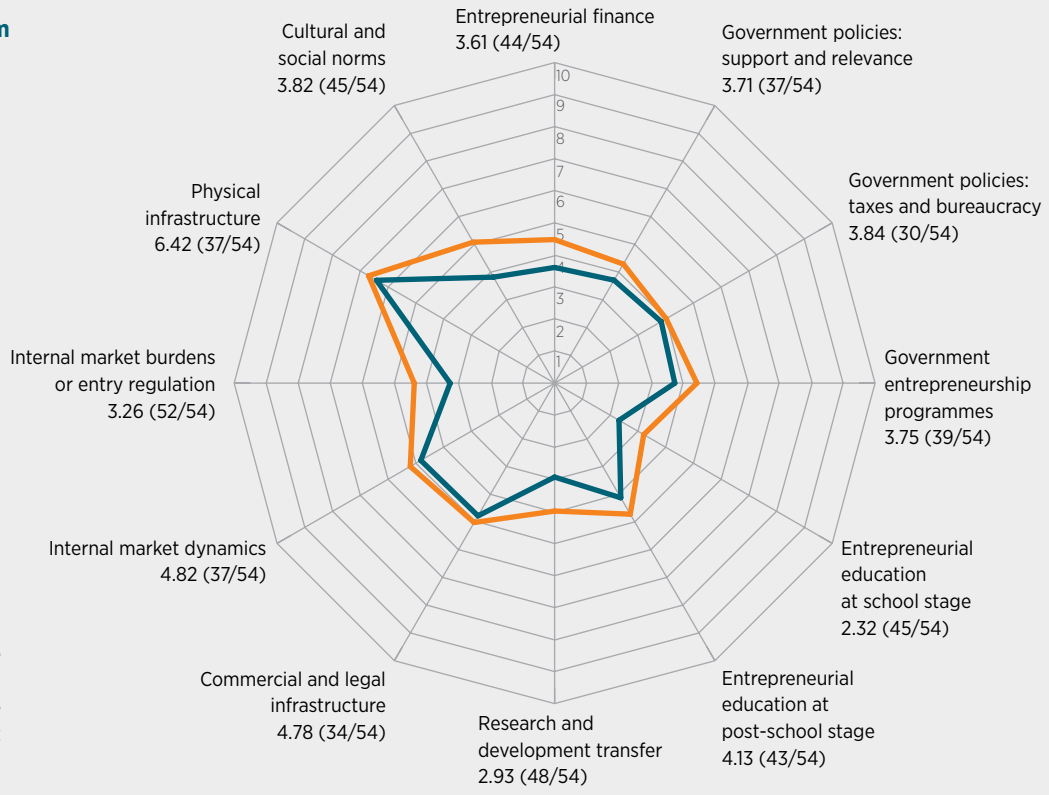
	% Adults	Rank/49	% Female	% Male
To make a difference	–	n/a	–	–
To build great wealth	–	n/a	–	–
To continue family tradition	–	n/a	–	–
To earn a living	–	n/a	–	–

Entrepreneurship impact

	% Adults	Rank/50*
Job expectations (6+)	1.5	=41
International (25%+ revenue)	0.2	=45
National scope (customers and products/process)	0.2	=44
Global scope (customers and products/process)	0.0	=45
Industry (% TEA in business services)	5.1	=45

*An equals sign (=) indicates that the ranking position is tied with another economy or economies.

Expert ratings of the entrepreneurial framework conditions (EFCs)



EFCs scale:
0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets

Policy roadmap

The Moroccan economy is currently characterised by macroeconomic stability and low levels of inflation thanks to exports, tourism and a boom in private investment. In 2019, Morocco launched the third phase of the National Initiative for Human Development, which aims to build human capital and enhance youth inclusion, with a wide financing envelope. Significant foreign direct investments continue to flow into logistics, trade services and the automotive industry.

The entrepreneurial ecosystem is improving and almost all GEM indicators have increased. The implementation of targeted measurements like Innov Invest and the establishment of the "self-entrepreneur" status have contributed to this improvement. Integrating the informal economy is a national priority, as is clear from the flagship project of the Industrial Acceleration Plan, which aims to encourage actors in the informal sector to join the entrepreneurial ecosystem.

However, 2018/2019 marked a deceleration in economic growth. A medium-term upward trajectory in national GDP is needed to overcome entrenched socio-economic problems. Insufficient job creation is increasing Morocco's unemployment rate. Despite recent efforts to introduce more dynamism into the territories, interregional disparities in terms of growth persist.

The government is creating a new economic development model based on enhanced education and vocational training programmes, and bolder policies to boost job creation and promote inclusive growth through a modernised social protection system. Moroccan youth are expected to play a priority role in achieving the goals of the 2030 Agenda for Sustainable Development.

Morocco displays a positive attitude towards entrepreneurship and boasts healthy pools of nascent entrepreneurs, but there is a marked disparity between nascent and active entrepreneurs. The relatively low levels of entrepreneurial activity among the youth are concerning in the context of the severe underemployment in this age group.

Early exposure to entrepreneurship training and increased investment in human and immaterial capital could help address this imbalance. Early-stage startups in knowledge and technology fields usually struggle to secure equity investments, so more initiatives are needed to encourage crowdfunding and venture capital funds. A number of other regulations – including education, research and development incentives and the Small Business Act – must be implemented.

Development agencies indicate that Morocco has made significant improvements in gender equality, although much still remains to be done. There is near parity in girls' and boys' enrolment in schools, with resulting improvements in literacy rates. This is, however, still to translate into increased labour force participation among women.

Since Morocco joined the GEM consortium in 2014, the national data collected have been used by academics, government policy agencies and entrepreneurship support institutions. Public stakeholders who create strategies and programmes have yet to fully recognise the value and relevance of these data, although evidence suggests that this information could have indirectly influenced certain policy decisions.

Institution	Team	Funders	APS vendor	Contact
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