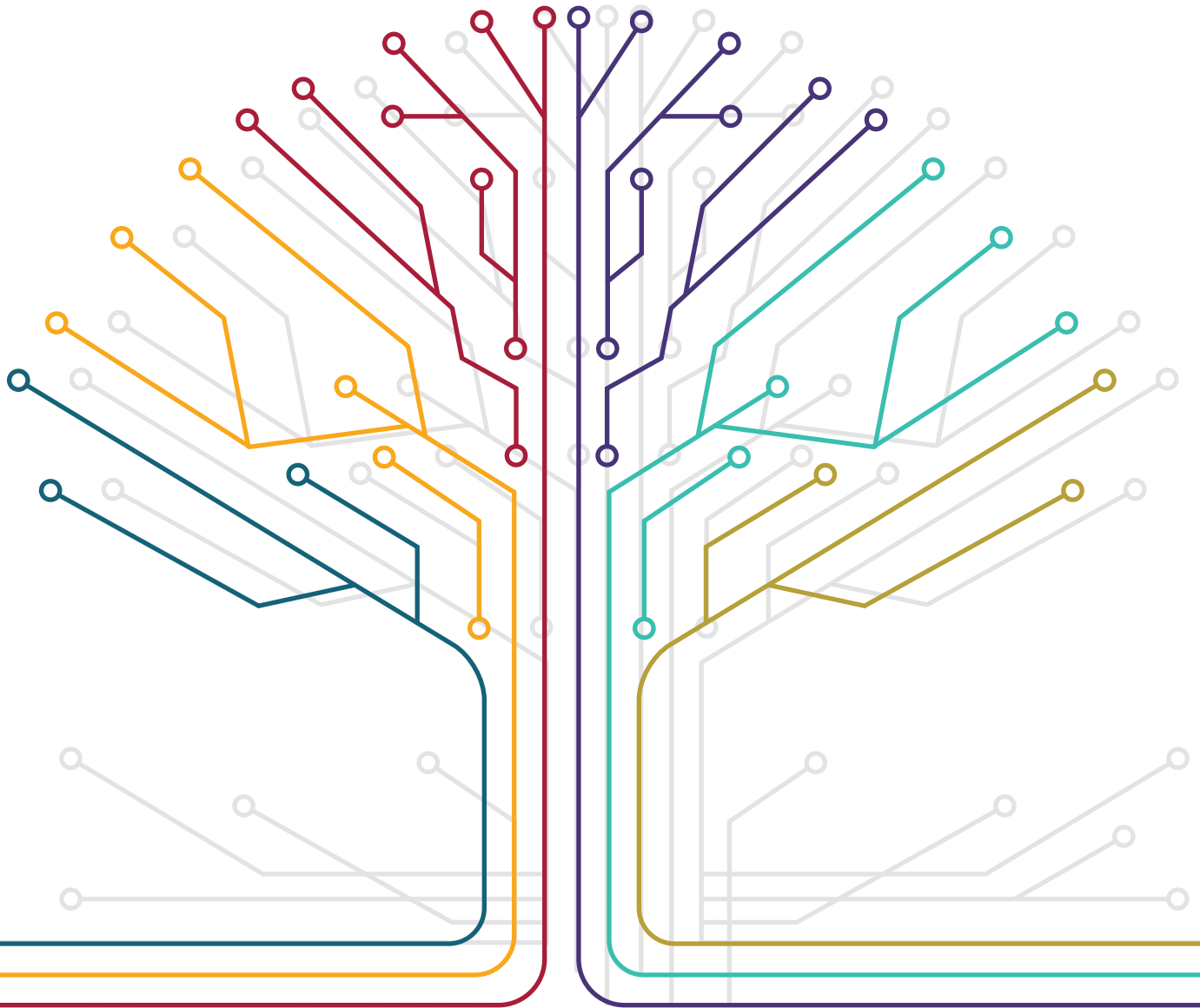


Fostering entrepreneurial ecosystem vitality

2021 / 2022 REPORT



Global Entrepreneurship Monitor South Africa

Angus Bowmaker-Falconer and Natanya Meyer



**Stellenbosch
Business School**
Responsible leaders for a better world.



KEY GEM DEFINITIONS AND ABBREVIATIONS

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Authors:

Angus Bowmaker-Falconer, Research Fellow, Stellenbosch Business School, Digital Economy Africa Research (DEAR).

Natanya Meyer, Associate professor, DHET-NRF SARChI Entrepreneurship Education, Department of Business Management in the College of Business and Economics (CBE), University of Johannesburg.

Editing, design and production

Design, illustration, and layout: Edward Mitchell, African Sun Media.

Editing: Michelle Meyer, African Sun Media.

Report Development: James Hart, African Sun Media.

Printing: African Sun Media.

Contact

Angus Bowmaker-Falconer (abf@sun.ac.za)

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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 Entrepreneurial Context Index
NES	National Expert Survey
NFC	National framework condition
OECD	Organisation for Economic Co-operation and Development
SDGs	Sustainable Development Goals
SEA	Social entrepreneurial activity
SMEs	Small and medium-sized enterprises
SMMEs	Small, medium and micro enterprises

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

Adult Population Survey (APS): The APS is a comprehensive interview questionnaire, administered to a minimum of 2 000 adults in each GEM economy, designed to collect detailed information on the entrepreneurial activities, attitudes and aspirations of respondents.

National Expert Survey (NES): The NES is completed by selected experts in each GEM economy and collects views on the context in which entrepreneurship takes place in that economy. It provides information about the aspects of a country's socio-economic characteristics that, according to research, have a significant impact on national entrepreneurship: referred to as the Entrepreneurship Framework Conditions (EFCs).

Total early-stage Entrepreneurial Activity (TEA): The percentage of adults (aged 18–64) who are starting or running a new business.

Established Business Ownership (EBO): The percentage of adults (aged 18–64) who are currently the owner-manager of an established business, i.e. owning and managing a business that has paid salaries, wages or any other payments to the owners, for more than 42 months.

Entrepreneurial Employee Activity (EEA): The rate of involvement of employees in entrepreneurial activities, such as developing or launching new goods or services, or setting up a new business unit, a new establishment or subsidiary, as part of their job.

Entrepreneurial Framework Conditions (EFCs): The conditions identified by GEM that enhance (or hinder) new business creation in a given economy, and form the framework for the NES. The conditions are:

- A1.** Entrepreneurial Finance: Are there sufficient funds for new startups?
- A2.** Ease of Access to Entrepreneurial Finance: And are those funds easy to access?
- B1.** Government Policy: Support and Relevance: Do they promote and support startups?
- B2.** Government Policy: Taxes and Bureaucracy: Or are new businesses burdened?
- C.** Government Entrepreneurial Programmes: Are quality support programmes available?
- D1.** Entrepreneurial Education at School: Do schools introduce entrepreneurship ideas?
- D2.** Entrepreneurial Education Post-School: Do colleges offer courses in starting a business?
- E.** Research and Development Transfers: Can research be translated into new businesses?
- F.** Commercial and Professional Infrastructure: Are these sufficient and affordable?
- G1.** Ease of Entry: Market Dynamics: Are markets free, open and growing?
- G2.** Ease of Entry: Burdens and Regulation: Do regulations encourage or restrict entry?
- H.** Physical Infrastructure: Is this sufficient and affordable?
- I.** Social and Cultural Norms: Does culture encourage and celebrate entrepreneurship?

National Entrepreneurial Context Index (NECI): This summarises in one figure the average state of 13 national Entrepreneurial Framework Conditions selected by GEM researchers as the most reliable determinants of a favourable environment for entrepreneurship. It is calculated as the simple average of 13 variables that represent the EFCs, and which have been measured through a block of items evaluated by an 11-point Likert scale and summarised by applying factorial analyses (principal component method).

National Team: GEM is a consortium of "National Teams". Each Team is led by a local university or other institution with a strong interest in entrepreneurship. The team is the official national representative of the project: responsible for collecting GEM data in the country on an annual basis, producing a "National Report" on their findings, and acting as the point of contact for GEM enquiries.

LIST OF GEM INDICATORS

Knowing a Startup Entrepreneur	Percentage of adults aged 18–64 who personally know at least one person who has started a business in the past two years.	Motive for Starting a Business: "To continue a family tradition"	Percentage of TEA who agree that a reason for starting their business is "to continue a family tradition".
Perceived Opportunities	Percentage of adults aged 18–64 who agree that they see good opportunities to start a business in the area where they live.	Motive for Starting a Business: "To earn a living because jobs are scarce"	Percentage of TEA who agree that a reason for starting their business is "to earn a living because jobs are scarce".
Ease of Starting a Business	Percentage of adults aged 18–64 who agree that it is easy to start a business in their country.	High Growth Expectation Entrepreneurial Activity	Percentage of adults aged 18–64 starting or running a new business (TEA) who expect to employ six or more people five years from now.
Perceived Capabilities	Percentage of adults 18–64 who agree that they have the required knowledge, skills and experience to start a business.	Internationally Oriented Entrepreneurial Activity	Percentage of adults aged 18–64 involved in TEA who anticipate 25% or more revenue coming from outside their country.
Fear of Failure Rate (opportunities)	Percentage of adults aged 18–64 who agree that they see good opportunities but would not start a business for fear it might fail.	Product/Services Impact (local/national/global)	Percentage of adults aged 18–64 involved in TEA having products or services that are either new to the area, new to their country or new to the world.
Nascent Entrepreneurship Rate	Percentage of adults aged 18–64 who are currently nascent entrepreneurs, i.e. are actively involved in setting up a business they will own or co-own; this business has not yet paid salaries, wages, or any other payments to the owners for more than three months.	Technology/Procedures Impact (local/national/global)	Percentage of adults aged 18–64 involved in TEA having technology or procedures that are either new to the area, new to their country or new to the world.
New Business Ownership Rate	Percentage of adults aged 18–64 who are currently owner-manager of a new business, i.e. who own and manage a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not for more than 42 months (3,5 years).	Digitisation Rate	Percentage of TEA who expect their business to use more digital technologies to sell their product or service in the next six months.
Total early-stage Entrepreneurial Activity (TEA)	Percentage of adults aged 18–64 who are either a nascent entrepreneur or owner-manager of a new business, i.e. the proportion of the adult population who are either starting or running a new business.	Social Impact Rate	Percentage of TEA who agree they always consider social implications when making decisions about the future of their business.
Established Business Ownership Rate (EBO)	Percentage of adults aged 18–64 who are currently owner-manager of an established business, i.e. who are owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months (3,5 years).	Environmental Impact Rate	Percentage of TEA who agree they always consider environmental implications when making decisions about the future of their business.
Business Services	Percentage of TEA in business services.	Business Exit Rate	Percentage of adults aged 18–64 who have exited a business in the past 12 months, either by selling, shutting down or otherwise discontinuing an owner/management relationship with that business.
Consumer Services	Percentage of TEA in consumer services.		
Entrepreneurial Employee Activity (EEA)	Percentage of adults aged 18–64 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, in the last three years.		
Motive for Starting a Business: "To make a difference in the world"	Percentage of TEA who agree that a reason for starting their business is "to make a difference in the world".		
Motive for Starting a Business: "To build great wealth or very high income"	Percentage of TEA who agree that a reason for starting their business is "to build great wealth or a very high income".		



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FOREWORD

Stellenbosch Business School

The potential for entrepreneurship to contribute to economic development and greater inclusion, and to promote a more vibrant economy is enormous for South Africa. Entrepreneurial intentions are more prevalent, and the total early-stage entrepreneurial activity in the population is increasing positively. Other encouraging signs are that entrepreneurship rates continue to rise for women and young people. Entrepreneurship is not a single magic bullet to address all economic and social challenges. Yet, it should be a key part of a co-ordinated strategy for growth and the creation of decent work. The results of the Global Entrepreneurship Monitor (GEM) presented here can help to achieve a greater understanding of entrepreneurial challenges, and to develop such strategies.

Like any economic actor, entrepreneurs will find themselves in a particular economic and social environment, which will determine the entrepreneurial opportunities and challenges they encounter. This ecosystem includes the characteristics and dynamism of the local economy as well as policy frameworks, legislation, educational support, and a range of other influencing factors. A better comprehension of these ecosystems is vital in order to understand the challenges South African entrepreneurs face and to determine the required mix of support that policymakers and other actors can provide.

The research conducted here with the GEM provides an insight into these ecosystems and the challenges entrepreneurs face in South Africa. It is vital to use these standardised research tools that both benchmark the country and provide a window on the particularities of the South African entrepreneurial landscape. It is here that higher educational institutions such as Stellenbosch Business School can play a dual role as both providers of up-to-date and rigorous research that informs policy and practice and as providers of educational programmes that can support entrepreneurs. We are proud to support this endeavour.



Mark Smith
Director & Professor:
 Stellenbosch Business School

Contact: +27 (0) 21 918 4111
<https://www.usb.ac.za>

Small Enterprise Development Agency (Seda)

Research plays a key role in ensuring that the services and programmes offered to SMMEs fit their needs. The feedback on the effectiveness of Seda's entrepreneurship and small business development support is important to ensure sustainability. One aspect of this research is the long-term strategic partnership with the Stellenbosch Business School through the GEM, which provides longitudinal, robust, and reliable data to inform decision-making about entrepreneurship and small business development in South Africa.

Successful entrepreneurial ecosystems foster innovation, enterprise growth and sustainability. These ecosystems are shaped by social, cultural, political, and economic contexts, and the GEM research provides an integrated perspective on these. The COVID-19 pandemic has had a devastating impact on all economic activity and specifically on small businesses. Recovery and the future prosperity of SMMEs require support from the public and private sectors, and ongoing research can help inform this.

Seda remains committed to enhancing its understanding of the challenges faced by entrepreneurs and small businesses, recognising trends in entrepreneurship and small business development, and identifying what services are best needed to create a conducive environment for them to thrive. Ongoing research, including the GEM annual research findings and recommendations, is important to inform policies, programmes, and other interventions supporting entrepreneurship and small business development across South Africa.

About Seda

Seda was established in December 2004 through the National Small Business Amendment Act (Act 29 of 2004) and is mandated to provide business development and support services for small enterprises and entrepreneurship through its national network in partnership with other role players in the small enterprise ecosystem. Seda also implements programmes that focus on business development in areas the government prioritises.

This includes the facilitation and coordination of research on small enterprise support programmes and providing advice, information, and analysis in implementing small enterprise development policy.



National Information Centre

Contact: 0860 103 703 or info@seda.org.za
<https://seda.org>

EXECUTIVE SUMMARY

GEM GLOBAL

The pandemic has made it more difficult to start a business

Positive entrepreneurial sentiment on opportunities suggest recovery

Entrepreneurs are fast adopting digital technologies to do business

High growth entrepreneurial activity still needs to reboot

50
Participating economies in 2021

4
Economies from Africa

GEM GLOBAL

GEM GLOBAL

Population
60 756 135

35,3% Official unemployment rate

Access to finance for entrepreneurs
SA 3,4; GEM 4,4

Entrepreneurial education at school level
SA 2,7; GEM 3

Government entrepreneurial programmes
SA 3,1; GEM 4,7

Research and development (innovation)
SA 3,4; GEM 4

South African Entrepreneurial Ecosystem

Societal attitudes and perceptions:

81,8% Good career choice

83,5% Excellent media attention

37,6% Know someone who has started a business in the past 2 years

Entrepreneurial intentions:

60,4% Perceived entrepreneurial opportunities

69,7% have the capabilities

53% will not start a business due to fear of failure

20% Entrepreneurial intentions in the next 3 years are up significantly

81,4% Entrepreneurial motivations include 'making a difference'

South African Entrepreneurship Indicators

Entrepreneurial activity indicators 2021:

10,5% Nascent

7,3% New business ownership

17,5% TEA (up from **10,8%**)

5,2% Established business (up from **3,5%**)

13,9% Business discontinuance rate (up from **4,9%**)

Meet the 2021 entrepreneurs:

18,2% Men

16,2% Women

19,3% Youth (18 - 24 years)

19% Youth (25 - 34 years)

17,2% Graduates

17,7% Non-graduates

South African Entrepreneurship Indicators

South African Entrepreneurial Ecosystem

1,6% - 1,9% GDP growth forecast for 2022

Government policies Support and relevance
SA 3,4; GEM 4,4

Taxes and regulations
SA 3,5; GEM 4,7

Market access
SA 3,6; GEM 4,4

Physical infrastructure
SA 4,8; GEM 6,6

Cultural and societal norms
SA 4,0; GEM 5,0

SOUTH AFRICA

Strengthen the national framework conditions for entrepreneurial impact

Entrepreneurship education, knowledge and networks

Accelerate financing innovation and improve access to markets

National Entrepreneurial Context Index (NECI) score and rank

2019: 3,63
(rank 49th/54)

2021: 3,7
(rank 45th/50)

SECTION 1

GEM CONCEPTUAL FRAMEWORK AND METHODOLOGY

Over the past twenty-two years, the GEM research consortium has tracked the evolution of entrepreneurship within and across economies, identifying the scale of its contributions to jobs and the economy, alongside strategies and policies to support new ventures.

GEM AT A GLANCE

In numbers:

22

years of data

3 000 000+

entrepreneur respondents and expert interviews since 1999

148 000+

respondents to the 2021 GEM Adult Population Survey

2 000+

expert interviews for the 2021 GEM National Expert Survey

120

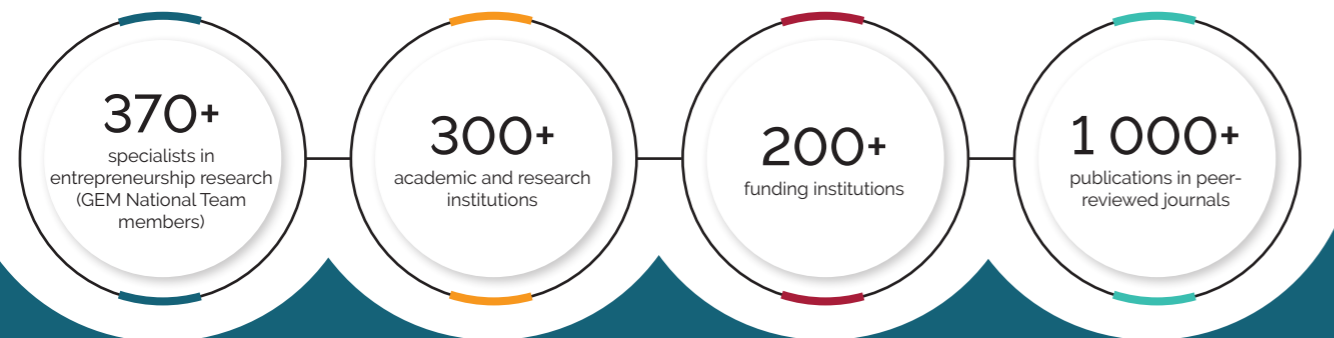
economies since 1999



50

Participating global economies in 2021

4 African economies:
South Africa, Sudan, Morocco and Egypt



Selected insights from the GEM Global 2021/2022 Report

<p>The pandemic has reduced household incomes ... but high-income economies are less affected due to the level of government, personal and business income support.</p>	<p>There are perceived entrepreneurial opportunities across countries ... however, fear of failure remains a barrier for many.</p>	<p>The pandemic has reduced the level of entrepreneurial activity ... although there are exceptions in some economies.</p>
<p>The pandemic has made it more difficult to start a business ... but it has also led to new and different business opportunities.</p>	<p>New businesses are unlikely to employ many more people in the short term ... this may be indicative of high levels of informal 'survival' businesses created during economic hardship and in the absence of no alternatives or social safety nets.</p>	<p>Entrepreneurs are changing how they do business ... high levels of digital technology adoption is facilitating rapid growth in online business models, and particularly so among new entrepreneurs. In addition, entrepreneurs are increasingly conscious of social and environmental considerations in business decision making.</p>
<p>Profile of entrepreneurs ... gender, age and education all matter, but national context seems to matter more. Underrepresented groups need to be supported to increase the level and variety of entrepreneurship activity, and ultimately economic recovery.</p>	<p>Age and motivation to start a business ... in addition to creating wealth, younger entrepreneurs are more likely to also be motivated to 'make a difference in the world'.</p>	<p>Entrepreneurial education at school level ... is typically the lowest rated of all the national framework conditions, yet improvements in entrepreneurship education at schools could significantly improve the entrepreneurial ecosystem of most economies.</p>

1 GEM CONCEPTUAL FRAMEWORK AND METHODOLOGY

The GEM story

In the past two decades, GEM has measured entrepreneurship in 120 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 among each participating country's adult populations with data obtained from experts in entrepreneurship.

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"). The average country sample size was just over 3 000.

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.



120

Economies have participated in the GEM global research to date

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

Who participates in this study?

In 2021, 50 economies participated in the GEM Global study (47 economies in the APS research and 50 economies in the NES research). Extensive interviews were conducted with some 150 000 individuals across these two surveys for the participating economies, resulting in a current and comprehensive evidence-based body of knowledge in 2021. Together, these economies represent 68% of global Gross Domestic Product (GDP), and 45% of the world's population.¹

1 Estimate based on the World Bank data for GDP and populations.

Economies in GEM 2021 classified by income

Previous GEM global reports have categorised participating economies by income and by region (World Bank-based GDP per capita). However, as economies have developed, an increasing number of GEM-participating countries have fallen into the high-income category. To balance the sample across income group levels, GEM has continued to use World Bank data but has defined its own income boundaries.²

Table 1.1 outlines the GEM-participating economies, categorised by GEM into three income levels, using World Bank GDP per capita data as follows:

2 GEM (Global Entrepreneurship Monitor) (2022 p. 27). *Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption*. London: GEM.

Table 1.1: Economies in GEM 2021, classified by income (\$GDP per capita)

Level A >\$40,000	Level B >\$20,000<\$40,000	Level C <\$20,000
Canada	Belarus	Brazil
Finland	Chile	Colombia
France	Croatia	Dominican Republic
Germany	Cyprus	Egypt
Ireland	Greece	Guatemala
Israel	Hungary	India
Italy	Kazakhstan	Iran
Japan	Latvia	Jamaica
Luxembourg	Lithuania	Mexico
Netherlands	Oman	Morocco
Norway	Panama	South Africa
Qatar	Poland	Sudan
Republic of Korea	Romania	
Saudi Arabia	Russian Federation	
Sweden	Slovak Republic	
Switzerland	Slovenia	
United Arab Emirates	Spain	
United Kingdom	Turkey	
United States	Uruguay	

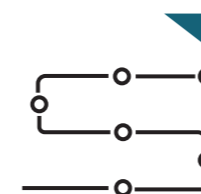
Source: GEM Adult Population Survey 2021

GEM Income Classification

Level A Economies with a Gross Domestic Product (GDP) per capita of more than \$40,000.

Level B Economies with a GDP per capita of between \$20,000 and \$40,000.

Level C Economies with a GDP per capita of less than \$20,000.



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".³

3 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>

The GEM conceptual framework

The GEM research collaboration 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.

Today, there is an increased appreciation and acknowledgement among academics, research institutions and governments of the role played by new and small businesses in the development and well-being of their societies.

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 and personal attributes and the impact on the entrepreneurship ecosystem.

To provide a platform for assessing the extent to which entrepreneurial activity influences economic growth within specific economies.

To identify policy implications for entrepreneurship and ensure that they support and enhance entrepreneurial capacity in the given economic context.

GEM's conceptual framework depicts the multifaceted features and dynamics of entrepreneurship, recognising the proactive, innovative and risk responsive behaviour of individuals, always interacting with the environment.

Figure 1.1 illustrates the conceptual framework, highlighting the main components and relationships into which GEM divides the entrepreneurial process. It also shows the way GEM classifies entrepreneurs according to their level of enterprise development.

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

Figure 1.1: The GEM conceptual framework

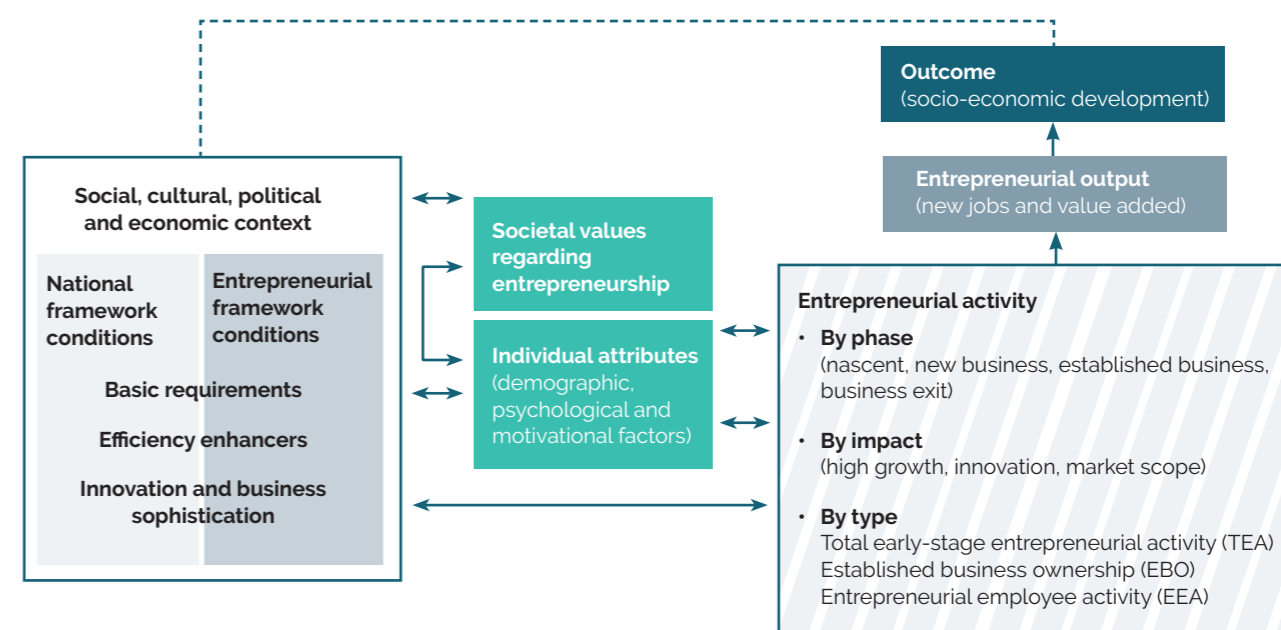
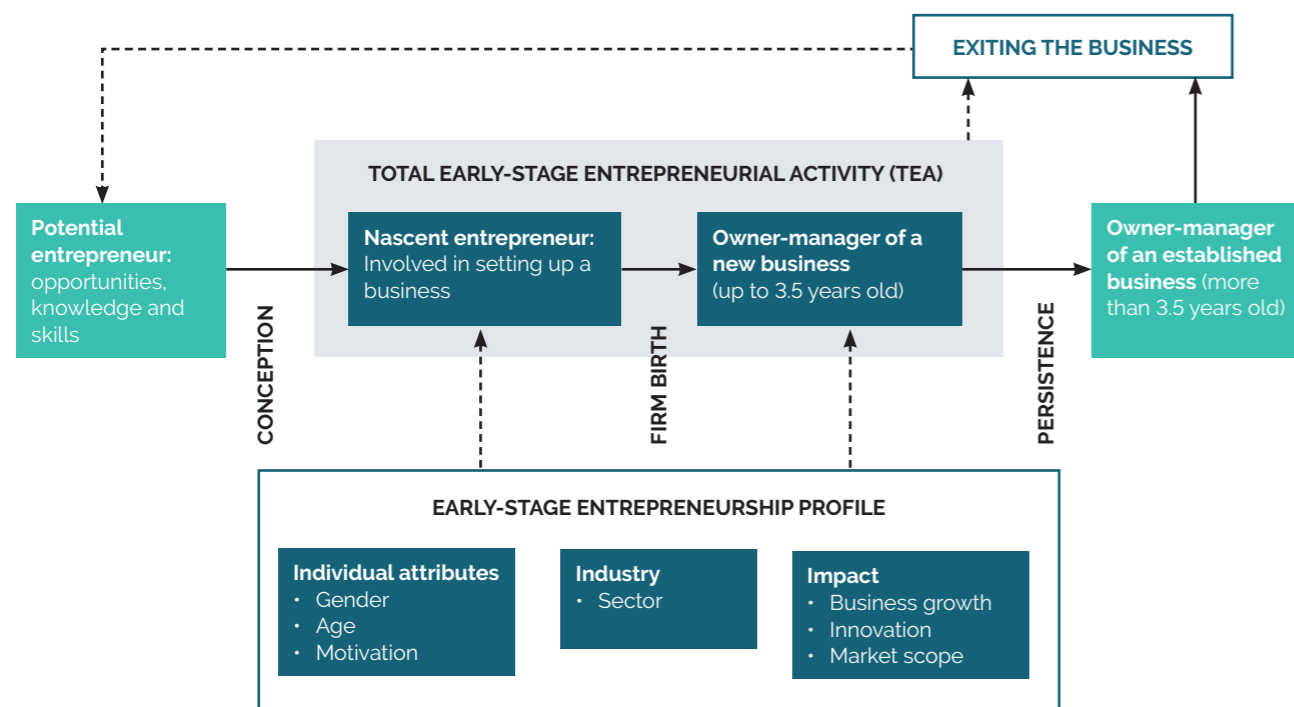


Figure 1.2: Entrepreneurial phases and GEM's entrepreneurship indicators



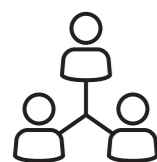
How do we measure entrepreneurship activity?

This report features a detailed review of GEM's key entrepreneurship indicators. In some instances, economies are compared and ranked on specific indicators. Overall, the GEM indicators may be viewed as a dashboard representing a comprehensive set of measures that collectively reflect key aspects of entrepreneurial activity.

The following key measures are highlighted:

We consider societal values and perceptions

Society views entrepreneurship according to the following standards:



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

Individual attributes include demographics, psychological factors and motivational factors.

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:

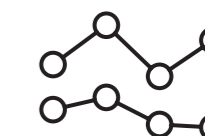
The percentage of the population aged 18–64 years who believe they have the required skills and knowledge to start a business.

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

Entrepreneurial activity is defined according to the phases in the life cycle of entrepreneurial ventures.

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/management relationship with the business.

Two other indicators describe additional types of entrepreneurial activity:

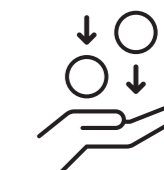
Entrepreneurial employee activity: The percentage of the adult population who, as employees, have been involved in entrepreneurial activities such as developing or launching new goods or services, or setting up a new business unit, a new establishment or a subsidiary.

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

We quantified the perceived quality of the entrepreneurial ecosystem

GEM assesses the prevailing EFCs 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 as listed. (See Section 3 for a detailed breakdown and explanation).

- Entrepreneurial financing
- Government policy
- Government entrepreneurial 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 globally at the same time every year (between May and July). In 2021, field research in South Africa only commenced in late August due to the pandemic lockdown and the July riots, 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 2021, Nielsen South Africa was retained as the accredited vendor for conducting the APS in South Africa. The research involved 3 043 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 the respondents' preferred language, 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. The survey 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 Entrepreneurial 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 11-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.

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.⁴

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.

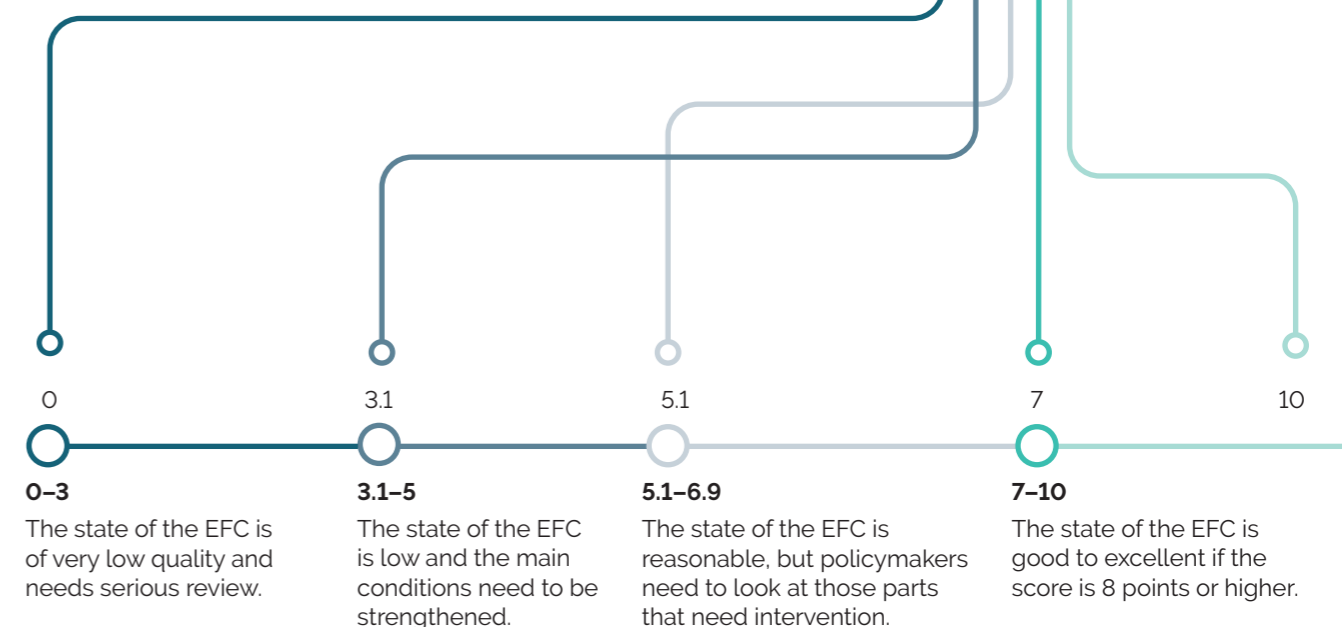
This provides answers to critical questions such as:

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?

⁴ Bosma, N., & Kelley, D. (2019). *Global Entrepreneurship Monitor 2018/19 Global Report*. Retrieved from <https://www.gemconsortium.org/report/gem-2018-2019-global-report>

Figure 1.3: Interpreting the NECI results



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.

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.⁵

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.

⁵ Bosma, N. et al. (2020). *GEM Global Report 2019/2020*. Retrieved from <http://www.gemconsortium.org/report>

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.⁶ This informal activity is obviously not captured by official statistics, but may be a significant contributor to the national economy.⁷ GEM sees entrepreneurial activity as a continuous process rather than as individual events. This process can be viewed as a pipeline, where people participating in each phase form the base for potential advancement to the next phase. 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.

⁶ Ibid.

⁷ 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.

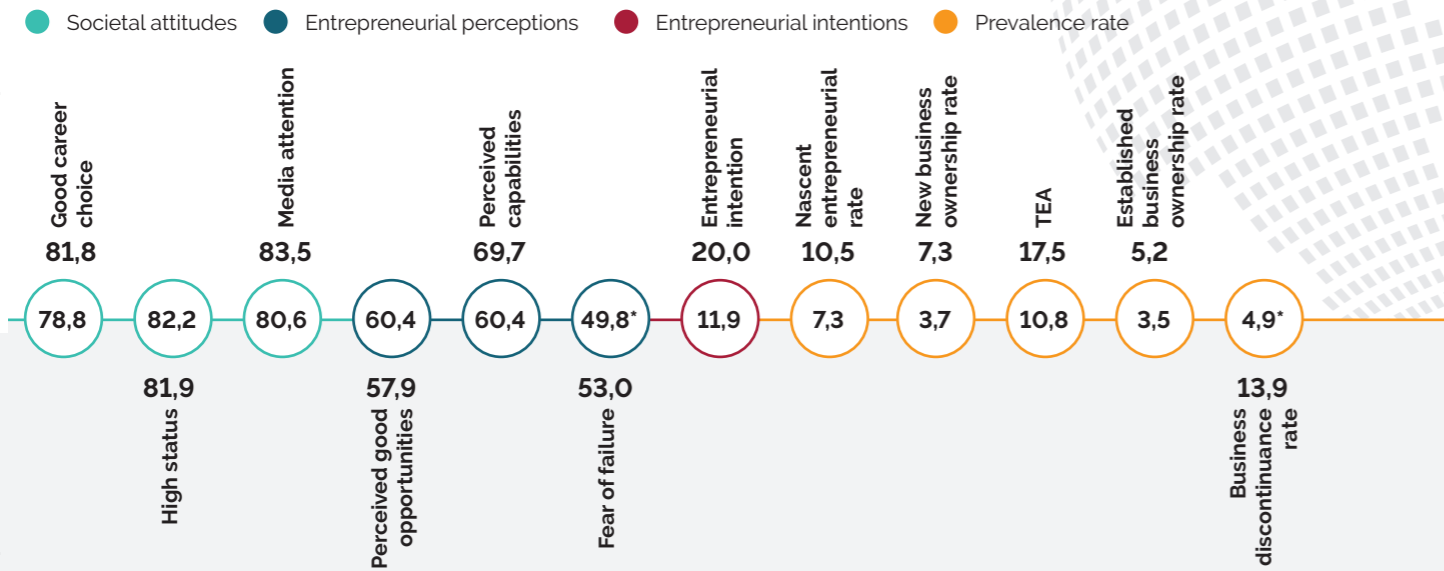
SECTION 2

MAPPING ENTREPRENEURSHIP IN SOUTH AFRICA

Entrepreneurship has a pivotal role in achieving inclusive economic participation, a renewed economic vibrancy and overall economic growth in South Africa. Building a deep culture of entrepreneurship requires reflection on our current status as a country, a vision for the future, and developing strategies that enable policies to help achieve this. This section explores current entrepreneurship in South Africa and key trends over time. Specifically, we look at societal attitudes and self-perceptions regarding entrepreneurship, review overall entrepreneurial activity, and provide profile demographics on current South African entrepreneurs.

SOUTH AFRICA IN CONTEXT

Entrepreneurship indicators at a glance



* Higher rates reflect a decline in the variable

How do we rank?

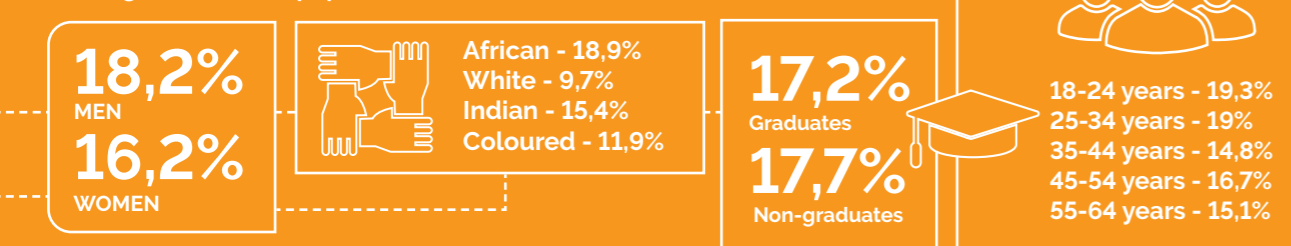


Reasons for business exit



Meet the entrepreneurs

Total early-stage entrepreneurial activity (TEA):
Percentage of the adult population



2 MAPPING ENTREPRENEURSHIP IN SOUTH AFRICA

Entrepreneurship matters

Before considering the South African 2021 entrepreneurship key indicators, it is useful to briefly explore the entrepreneurship phenomenon itself.

For GEM, entrepreneurial activity, or entrepreneurship, is the act of starting and running a new business venture, i.e., not just thinking about it or intending to start, but actually allocating resources to get a new business off the ground.

Entrepreneurship is not a 'stereotype', meaning that it has many configurations, including, for example, formal or informal self-employment, micro-enterprises, small to medium-sized businesses, expansion of an existing established business, and entrepreneurial employee activity. A further distinction is the rate of entrepreneurial growth and diversification. Some entrepreneurial activities may remain fairly stable over time (limited growth), others may demonstrate ambitious entrepreneurial activity, and then there are those enterprises that disrupt markets and value chains and attract significant capital investment to become big success stories (the so-called *Cheetahs*, *Gazelles*, and *Unicorns*).

Entrepreneurship, collectively, is an essential driver of societal health, wealth creation, and a formidable engine of economic growth. It promotes the essential innovation required to exploit new opportunities, promote productivity, and create employment. It furthermore has the potential to also address society's greatest challenges such as the United Nations Sustainable Development Goals (SDGs) or the recovery from the economic shock wave created by the COVID-19 pandemic.⁸

South Africa still has some way to go towards developing entrepreneurship as a significant driver of economic development, job creation and social cohesion. The economy has consistently underperformed for more than a decade now with growth in real GDP per capita declining since 2011. Despite almost three decades of democracy, the country remains one of the most unequal societies in the world.

⁸ GEM (Global Entrepreneurship Monitor) (2022, p. 11). Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption. London: GEM.

Entrepreneurship, collectively, is an essential driver of societal health, wealth creation, and a formidable engine of economic growth.

This current scenario urgently requires a more dynamic, employment-intensive and innovation-led growth trajectory and even more so given the recent and persisting global pandemic.⁹

To achieve this will require a prioritised and more directed policy framework at a national and regional level. A focus on entrepreneurship would stimulate the development of more successful enterprises and formalise many aspects of the South African economy. Importantly, the type of entrepreneurship required should demonstrate three characteristics:¹⁰

Social entrepreneurship: that addresses issues such as inequality, healthcare, poverty and hunger, and environmental sustainability that are based on business models that create tangible economic value at scale.

Entrepreneurship that embodies the Schumpeterian idea of creative destruction: where inferior solutions get replaced (partly or completely) with new products, services, and business models.

Entrepreneurship that unlocks multiplier effects: for other small businesses (in the ecosystem) to create employment.

Finally, governments and other stakeholders require robust and credible data to make key decisions that stimulate sustainable forms of entrepreneurship and healthy entrepreneurial ecosystems, and GEM has since 1999 provided valuable insights in support of these goals.¹¹

⁹ Volschenk, J., Smith, M., & Aziakpono, M. (2021). South Africa: Millions of Young South Africans Are Without Jobs - What Are the Answers? Retrieved from <https://allafrica.com/stories/202106150099.html>

¹⁰ Ibid.

¹¹ GEM (Global Entrepreneurship Monitor) (2022, p. 11). Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption. London: GEM.

What shapes entrepreneurship in South Africa?

Societal attitudes and self-perceptions regarding entrepreneurship

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

At an individual level, all entrepreneurs take a personal decision to start a business, influenced by their own attitudes and perceptions. These attitudes and perceptions are often derived from directly knowing an entrepreneur, their view of local business opportunities, whether they think starting a business is easy, or that it is a preferred career or economic activity choice.

The decision to start a business can also be influenced by the individual's confidence, risk propensity and whether they think they have the skills and knowledge to start a business.

In terms of overall societal attitudes towards entrepreneurship, the GEM research assesses whether people think 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.



I have always been entrepreneurial growing up in a family where my dad was a taxi owner. Although it is not always easy, I believe in my abilities, and this gives me the confidence to take on each challenge that comes my way." - Sebo Caraci Marobela

Caraci Clothing – Sebo Caraci Marobela

Call me a fashion entrepreneur!

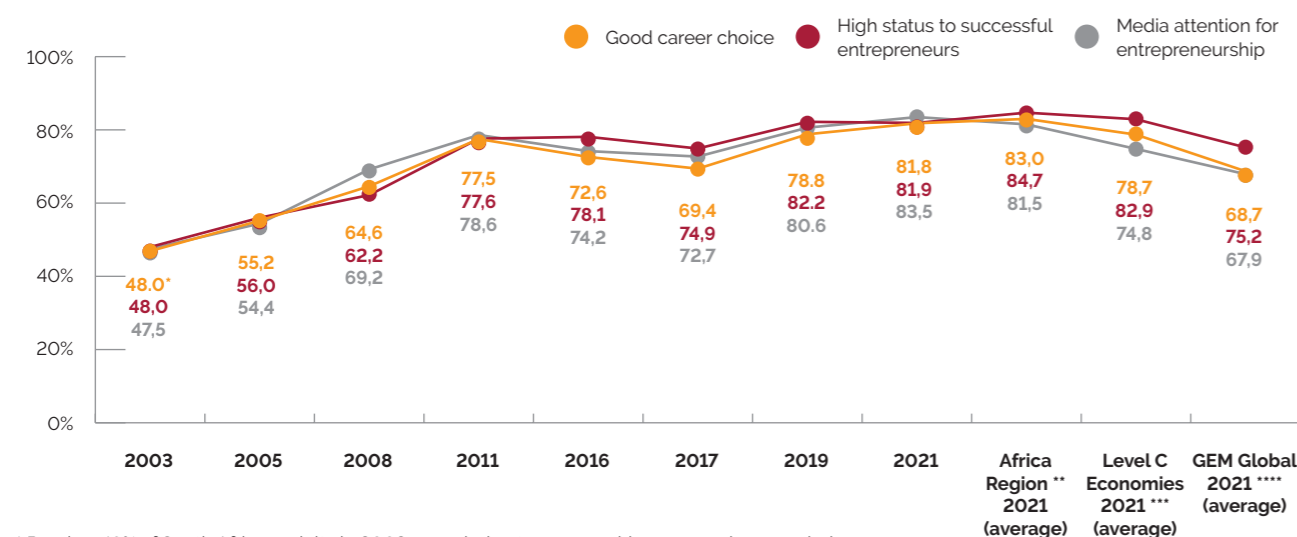
Self-perception, especially the fear of failure, is a considering factor of entrepreneurship. However, Caraci Clothing has made (positive) self-perception its business by producing plus-size clothing. The owner started by buying clothes and taking them to a tailor to alter. A positive self-image and a need to share this feeling with others gave birth to Caraci Clothing.

Today, the business focuses on custom clothing, from fabrics and design to measurements to delivering completed garments. The business also relies heavily on digital marketing, especially social media, to build its brand and create awareness.

The business further believes in upskilling and improving oneself as the organisation grows. Being passionate will help one to stay driven during challenging times.

Figure 2.1: Societal attitudes regarding entrepreneurship in South Africa 2003-2021

Percentage of Adult Population



* Read as 48% of South African adults in 2003 regarded entrepreneurship as a good career choice.

** The Africa Region includes a limited sample of four economies (Sudan, Morocco, Egypt and South Africa).

*** Level C Economies: GDP per capita <\$20 000.

**** GEM Global 2021 (all countries including SA).

As can be seen from **Figure 2.1**, South Africa, the African region, and level C Economies all scored significantly higher on the three measures than the GEM global average in 2021.

The high scores for good career choice could be a factor of both the extent of available formal job opportunities among developing economies and an increasing appetite for entrepreneurship as an economic activity. Nevertheless, this shows a very positive trend overall from 2003 and is well balanced with a high status attributed to successful entrepreneurs and increased media attention on entrepreneurship.

Societal values regarding entrepreneurship in South Africa show a very positive upward trend over the period 2003 to 2021. Specifically, there has been an increase from 2017 to 2021 in the number of individuals who see entrepreneurship as a good career choice (from 69.4% to 81.8%) and who consider a high status attributed to successful entrepreneurs (from 74.9% to 81.9%).

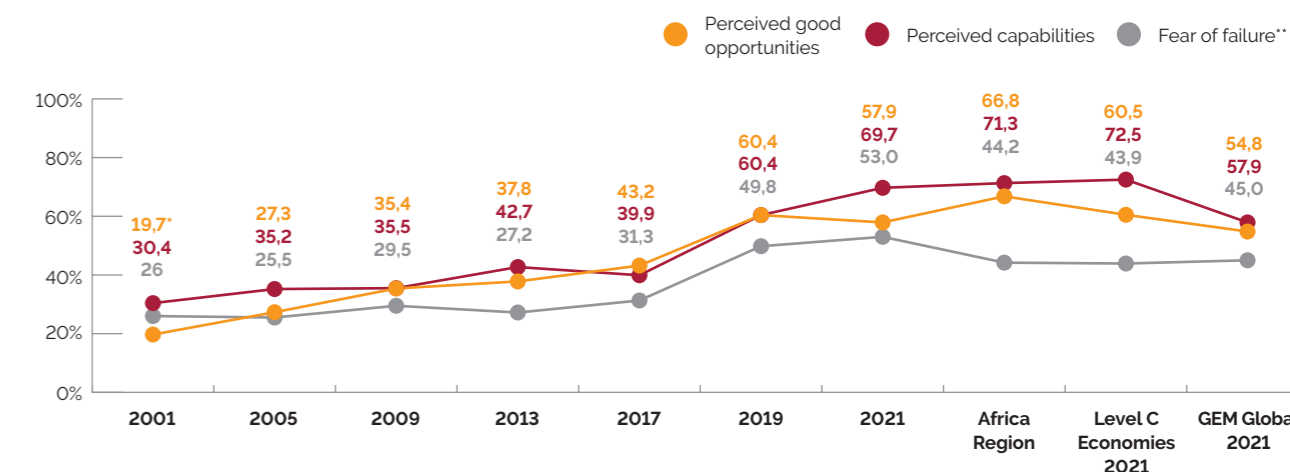
These may partly be attributed to the significant increase in media attention (from 72.7% to 83.5%) given to entrepreneurship. Media attention plays a vital role in positioning entrepreneurship success stories and advocating entrepreneurship as a good alternative to finding employment elsewhere.

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 people perceive to exist and their beliefs about their capabilities are influenced by external factors in their environment such as the prevailing economic conditions, the national entrepreneurial culture, and support systems and networks.

Another consideration 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. For example, in some countries, the legal and social ramifications of business failure may act as a strong deterrent, thereby reducing the pool of potential entrepreneurs.

Figure 2.2: Entrepreneurial perceptions and competencies in the adult population of South Africa 2001-2021

Percentage of Adult Population



* Read as 19.7% of South African adults in 2001 perceived good entrepreneurial opportunities in their area.

** Fear of failure: Percentage of population aged 18-64 perceiving good opportunities to start a business.

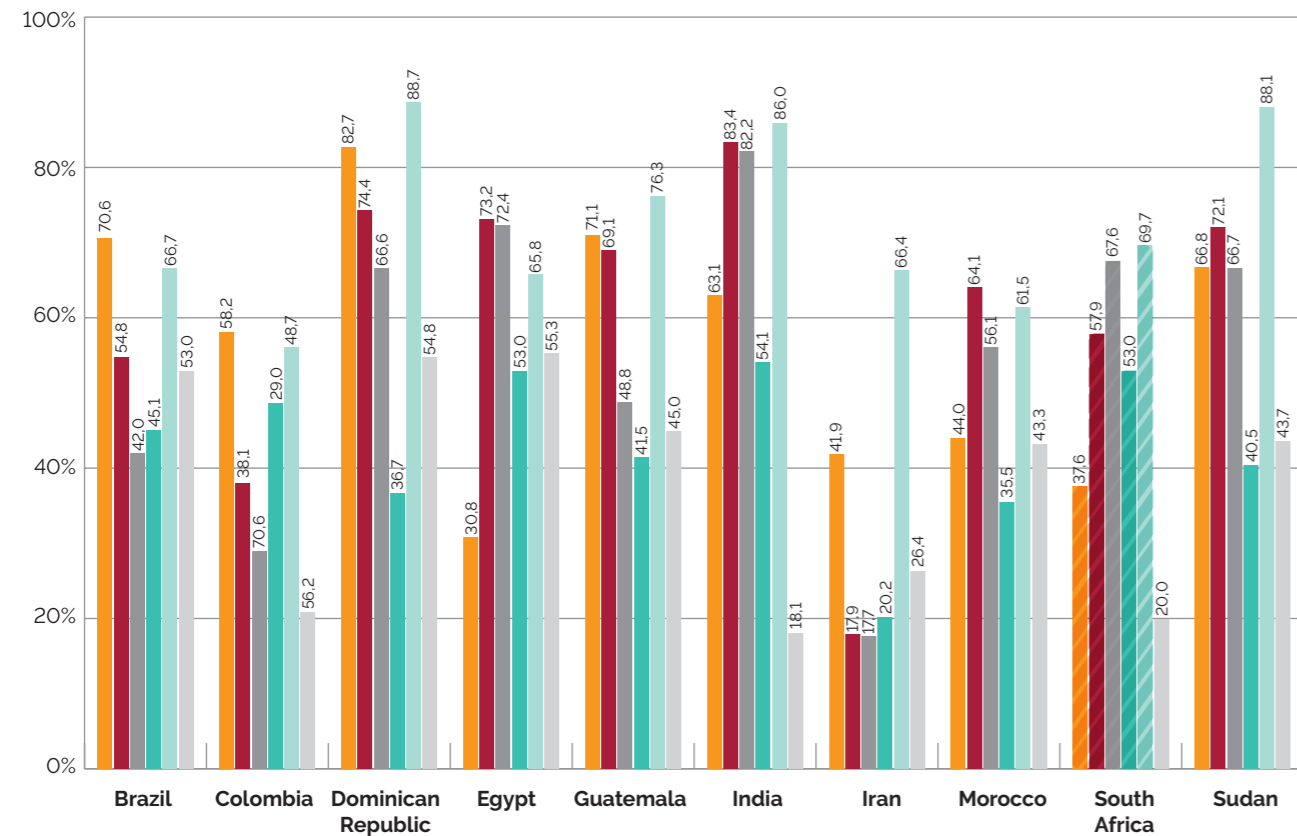
Figure 2.2 shows a substantial increase (from 43.2% in 2017 to 60.4% in 2019) in the number of individuals who perceive that there are good entrepreneurial opportunities in South Africa, but a decrease in this percentage in 2021 (57.9%) was observed. This is, however, well above the GEM global average (54.8%) but well below the combined participating African economies (66.8%) and somewhat lower than the level C Economies (60.5%).

When combined with the percentage of the adult population in 2021 that believe they have the perceived capabilities (knowledge, skills, and experience) required for entrepreneurship (69.7%, which is an increase of 9.3% since 2019), the foundation for potential future entrepreneurship activity looks healthy.

However, of those in the adult population who see good opportunities, 53.0% would not start a new business due to fear of failure. This is a high percentage that is above the GEM global average (45%), the combined participating African countries average (44.2%), and the level C Economies average (43.9%).

Figure/Table 2.3: Public attitudes and perceptions (% of adults aged 18-64 who somewhat or strongly agree)

Level C Economies GDP per Capita <\$20,000



Level C Economies GDP per Capita <\$20,000

Knowing someone who has started a business in the past two years

"There are good opportunities to start a business in the area where I live"

"In my country it is easy to start a business"

"You see good opportunities, but would not start a business for fear it might fail" (% of those seeing good opportunities)

"You personally have the knowledge, skills and experience required to start a business"

"Are you expecting to start a business in the next three years"

Brazil	70.6	54.8	42.0	45.1	66.7	53.0
Colombia	58.2	38.1	29.0	48.7	56.2	20.9
Dominican Republic	82.7	74.4	66.6	36.7	88.7	54.8
Egypt	30.8	73.2	72.4	53.0	65.8	55.3
Guatemala	71.1	69.1	48.8	41.5	76.3	45.0
India	63.1	83.4	82.2	54.1	86.0	18.1
Iran	41.9	17.9	17.7	20.2	66.4	26.4
Morocco	44.0	64.1	56.1	35.5	61.5	43.3
South Africa	37.6	57.9	67.6	53.0	69.7	20.0
Sudan	66.8	72.1	66.7	40.5	88.1	43.7

Jamaica and Mexico only participated in the NES research and are therefore not included here

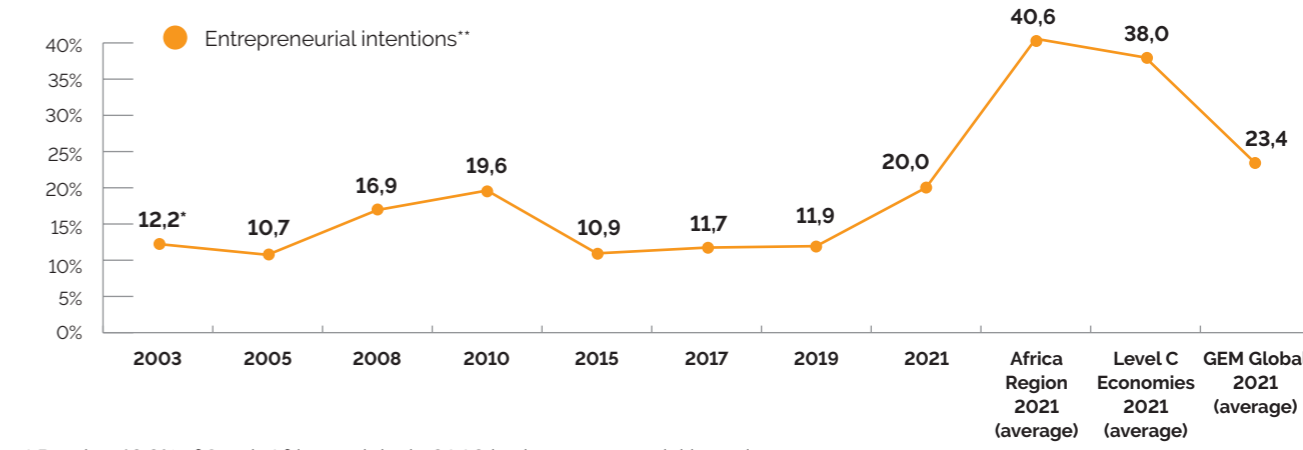
Figure/Table 2.3 combines a number of the attitudes and perception dimensions across the level C Economies.

Egypt and South Africa rate the lowest for knowing someone else who has started a business in the past two years. Other participating African economies all rate higher than South Africa on good opportunities for entrepreneurship, with India the highest (83.4%). Entrepreneurial intentions in South Africa have improved since 2019 (11.9% to 20.0% in 2021), and more than two-thirds of the adult population believe it is easy to start a business and that they have the capability to do so. However, the fear of failure at 53.0% is likely to inhibit the rate at which new enterprises are established.

Entrepreneurial intentions do not necessarily translate into actually starting a new business. Among other factors, capability, risk propensity, economic conditions, finance, and concern about not succeeding can all mitigate against this.

The following measure, entrepreneurial intention, 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.

Figure 2.4: Entrepreneurial intentions in South Africa 2003-2021
Percentage of Adult Population



* Read as 12.2% of South African adults in 2003 had entrepreneurial intentions.

** Entrepreneurial intentions - Percentage of population aged 18-64 that is not involved in entrepreneurial activity.

As can be seen from **Figure 2.4**, 20% of the adult population not involved in any entrepreneurial activity indicated that they intend to start a business in the next 3 years. While this is significantly higher than reported in 2019 (11.9%), South Africa is still lagging behind the average of the African region (40.6%) and that of level C Economies (38%). On a positive note, we are slowly closing the gap considering the global average, which stood at 23.4% for 2021.

For South Africa, indications of entrepreneurial intentions have shifted significantly since 2003, moving from as low as 10.7% in 2005 to the current high of 20%. As entrepreneurial intentions are linked to complex external and internal factors (such as personal preferences, risk propensity, and economic and regulatory conditions), personal and external conditions at the time of measurement are likely to affect intentions to start a new business.

The increase to 20% reported in 2021 might be due to the COVID-19 pandemic where people have contemplated starting a new venture due to the push effect (pushed into entrepreneurial activities due to negative factors such as losing formal employment or not being able to find new employment) or the pull effect (emerging opportunities, new market demands or the need for innovation and the disruption of existing business models).

Entrepreneurial activity

GEM views entrepreneurship as a process in which individuals become increasingly engaged in entrepreneurial activity (or disengaged during business exits). This process would typically include the intention to start a new business within three years, nascent entrepreneurs, new business owners, and established business owners.

Total early-stage Entrepreneurial Activity (TEA) in an economy is a core GEM indicator (see **Figure 2.5**). This indicator measures the percentage of the adult population who are participating in either of the two initial processes of the entrepreneurial cycle:

Nascent entrepreneurs who have committed resources to start a business and are actively involved in setting up a business they will own or co-own, but have not yet paid salaries or wages or made any other payments to the founders for more than three months; and

New business owners who have moved beyond the nascent stage and are currently owner-manager of a new business which has paid salaries or wages or made any other payments to the owners for more than three months, but not for more than 42 months (3.5 years).

Other key GEM entrepreneurship activity measures are:

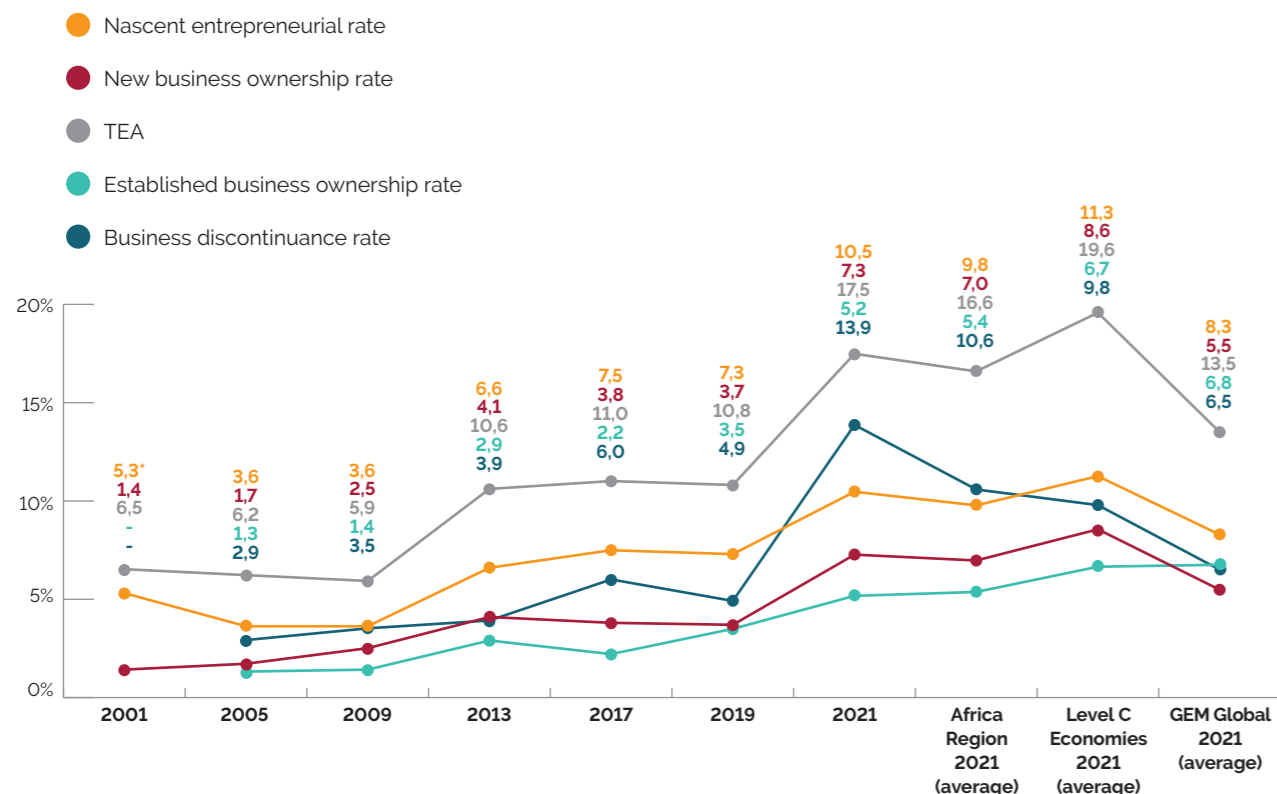
Established Business Ownership (EBO): the percentage of the adult population who are currently owner-manager of an established business, i.e., who are owning and managing a running business that has paid salaries or wages or made any other payments to the owners for more than 42 months (3.5+ years).

Entrepreneurial Employee Activity (EEA): the percentage of the adult population who, as employees, have been involved in entrepreneurial activities such as developing and launching new goods and services, or setting up a new business unit, a new establishment, or a subsidiary in the last three years.

Business Exit Rate: the percentage of the adult population who have exited a business in the past 12 months, either by selling, shutting down or otherwise discontinuing an owner-management relationship with that business.

Figure 2.5: Prevalence rates (%) of entrepreneurial activity in South Africa 2001-2021

Percentage of Adult Population



* Read as 5.3% of the Adult Population were engaged in nascent entrepreneurial activity in 2001.

Figure 2.5 summarises prevalence rates of entrepreneurship activity between 2001 and 2021. As is the case with entrepreneurial intentions, the prevalence rate shows an overall upward trend over time, which is very good news. The nascent entrepreneurial rate increased from 7.3% in 2019 to 10.5% in 2021. The new business ownership rate almost doubled from 3.7% in 2019 to 7.3% in 2021, and TEA increased by an impressive 6.7% (10.8% in 2019 to 17.5% in 2021). The established business ownership rate also increased by 1.7%.

These are important findings as these new businesses appear to have survived the startup phase and now have a real possibility of contributing to the country's economy. If these rates can continue this upward trajectory, it should lead to a greater depth of established businesses in South Africa. The challenge now is to provide the necessary support (financial and other) to newly established businesses during this time to facilitate their growth and sustainability and prevent any unnecessary business discontinuances.

Although positive, these increased entrepreneurial activity rates could partly be due to many people being forced into survival mode during the pandemic and/or to a purposeful choice not to go back into formal employment after losing their jobs during this period.

A point of concern in these findings is the increase in the business discontinuance rate from 4.9% in 2019 to 13.9% in 2021. A large portion (27.4%) of businesses exited due to the major economic constraints that the COVID-19 pandemic brought on, not only in South

Africa but also globally. Only a small percentage (6%) of businesses exited due to positive reasons such as an opportunity to sell.

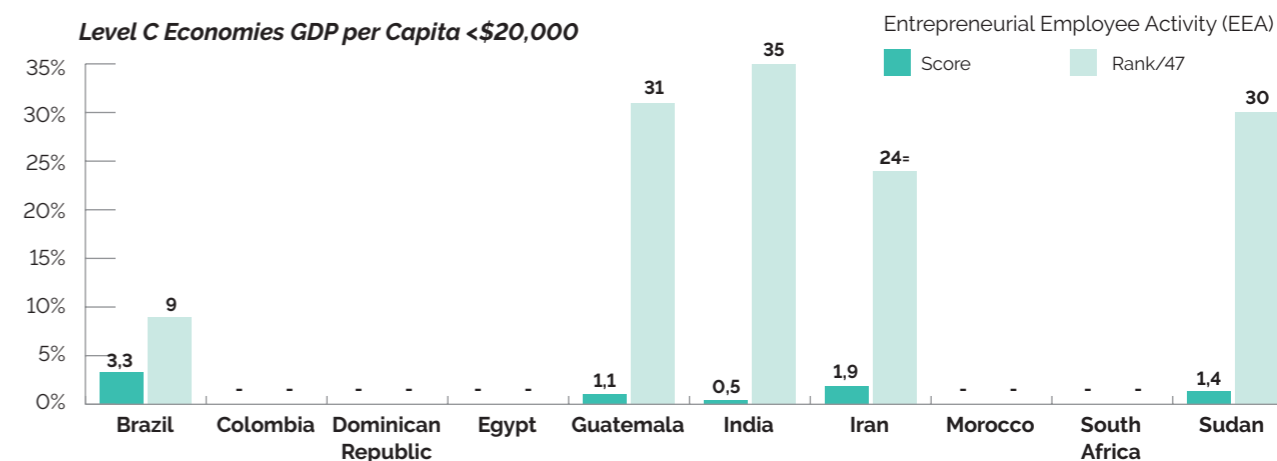
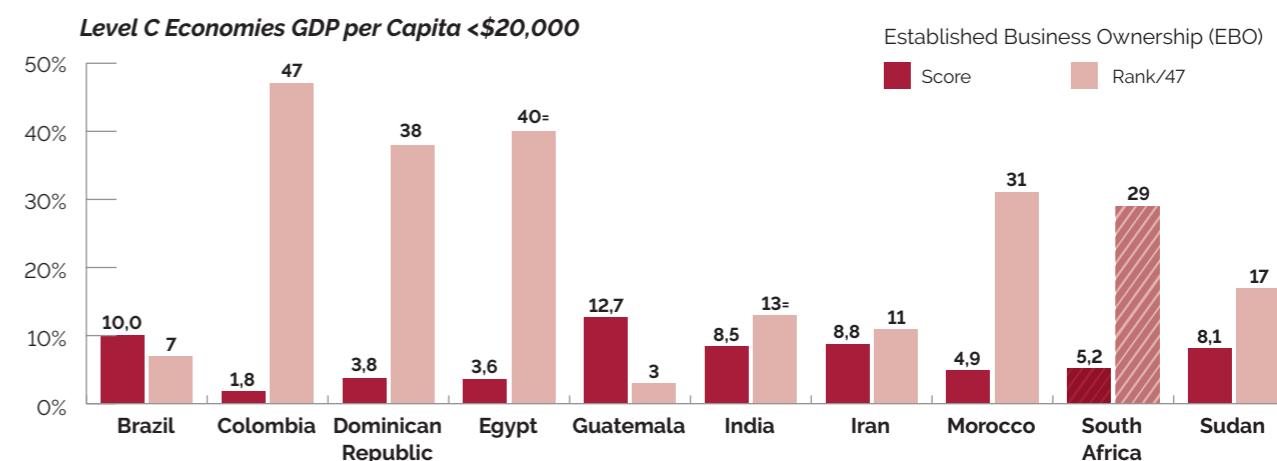
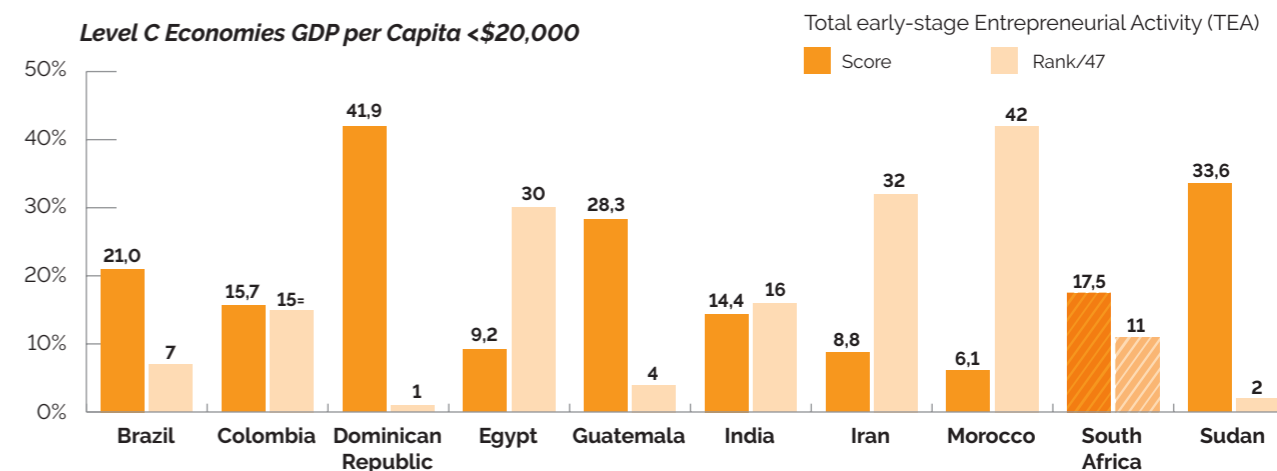
Business continuity can also be affected by negative events or conditions in the entrepreneurial ecosystem, such as high crime levels and deteriorating infrastructure, including the continuous intervals of forced power outages (load-shedding), deteriorating logistics infrastructure, and economic policy uncertainty. Other reasons affecting the business continuation rate include basic business failures resulting from poor management and a lack of profit, financial constraints to growth, retirement, and other personal reasons (see **Table 2.9** for more details).

On a positive note, when compared to the average rates for the African region, South Africa reported slightly higher rates in three of the five categories (nascent, new business and TEA rates), with only a marginally lower rate for the established business ownership rate. The only concerning variable is the business discontinuance rate, which is 3.3% higher (negative) than the African region's average. The average for level C Economies is higher than South Africa in all categories, but the gap was clearly reduced in 2021. South Africa's entrepreneurial activity outranks the global average for the categories nascent, new business and TEA rates. For the rates of established business ownership, South Africa is below the global average (5.2% South Africa and 6.8% global average), and for business discontinuation rates, more businesses exited in South Africa during this period (13.9% South Africa and 6.5% global average).

Figure 2.6 shows a country comparison (entrepreneurial activity rates and global ranking) across the level C Economies for TEA, EBO and EEA.

The South African TEA rate is higher than Egypt, Iran, India and Morocco and lower than the balance of economies in this segment. South Africa ranks higher than Colombia, the Dominican Republic, Egypt, and Morocco for the EBO rate. EEA rate was not reported for South Africa.

Figure 2.6: Entrepreneurial activity (% of adults aged 18-64)



Symbol T = Denotes a Shared Ranking.

Technical issues in data collection mean that the EEA variable is not available for a small number of economies in 2021. Jamaica and Mexico only participated in the NES research and are therefore not included here.

Table 2.1: GEM Global 2021 ranking of types of entrepreneurial activity by economic income levels

	Nascent entrepreneurship rate		New business ownership rate		Early-stage entrepreneurial activity rate (TEA rate)		Established business ownership rate		Entrepreneurial employee activity rate		Business discontinuance rate	
	Score	Rank/47	Score	Rank/47	Score	Rank/47	Score	Rank/47	Score	Rank/47	Score	Rank/47
Level C Economies (<\$20k)												
Brazil	10,2	11T	11,1	5T	21,0	7	10,0	7	3,3	19	11,3	9
Colombia	10,1	13T	5,9	17	15,7	15T	1,8	47	0,3	41T	6,6	20
Dominican Rep.	29,0	1	13,3	2	41,9	1	3,8	38	3,6	16	14,7	2
Egypt	3,9	38T	5,4	18T	9,2	30	3,6	40T	-	-	10,9	10
Guatemala	12,6	7	16,6	1	28,3	4	12,7	3	1,1	35	9,1	13
India	7,2	25	7,1	11T	14,4	18	8,5	13T	0,5	40	7,9	17
Iran	4,9	34	3,9	27T	8,8	32	8,8	11	1,9	26T	5,8	23
Morocco	2,8	44	3,3	34T	6,1	42	4,9	31	0,0	44	4,6	25
South Africa	10,5	10	7,3	10	17,5	11	5,2	29	1,0	36T	13,9	3
Sudan	22,0	2	12,2	3	33,6	2	8,1	17	1,4	33	13,1	5
TOTAL	11,4		8,3		19,5		6,4		1,2		9,6	
Level B Economies (>\$20k<\$40k)												
Belarus	9,1	18T	4,8	25	13,5	20	5,5	26	2,4	23T	7,3	18
Chile	20,4	3	10,3	7	29,9	3	7,1	19T	4,0	15	9,0	14
Croatia	9,0	20	3,8	29	12,4	25	4,0	37	5,7	8T	4,4	28
Cyprus	5,0	32T	3,7	30T	8,4	33	8,6	12	1,0	31T	5,6	24
Greece	3,2	42	2,4	42	5,5	43T	14,7	2	1,5	31T	2,0	43
Hungary	5,3	31	4,9	23T	9,8	26T	8,4	15	3,0	21	2,2	41T
Kazakhstan	13,3	6	7,1	11T	19,9	9	12,1	4	1,3	34	18,0	1
Latvia	9,6	15	6,0	14T	15,1	17	9,9	8	4,1	13T	3,1	35
Oman	9,1	18T	3,7	30T	12,7	22	2,8	46	-	-	13,7	4
Panama	15,1	5	6,6	13	21,8	6	3,7	39	1,7	29T	11,4	8
Poland	1,1	47	0,9	47	2,0	47	11,1	5	0,8	38	4,5	26T
Romania	4,5	35	5,3	21	9,7	28	4,1	35T	2,4	23T	2,6	39T
Russian Fed.	3,7	40	4,7	26	8,3	34	3,4	44	0,3	41T	3,9	30
Slovak Rep.	4,2	37	2,2	44	6,4	40	6,5	22	0,6	39	3,6	32T
Slovenia	3,4	41	3,4	33	6,7	39	8,5	13T	5,9	5	3,0	36
Spain	3,0	43	2,7	38T	5,5	43T	7,2	18	1,8	28	2,2	41T
Turkey	10,8	8	5,4	18T	15,7	15T	11,0	6	2,4	23T	8,0	16
Uruguay	15,2	4	8,0	8	23,1	5	4,1	35T	-	-	9,7	12
TOTAL	8,1		4,8		12,6		7,4		2,4		6,3	
Level A Economies (>\$40k)												
Canada	10,2	11T	11,1	5T	20,1	8	8,2	16	4,7	10	11,6	6
Finland	5,0	32T	3,1	36T	7,9	35	8,9	9T	6,6	4	1,9	44
France	5,9	29	2,0	45	7,7	36	3,6	40T	2,8	22	2,6	39T
Germany	4,3	36	2,7	38T	6,9	38	5,0	30	3,4	18	3,3	34
Ireland	8,1	23	4,9	23T	12,5	24	6,9	21	5,7	8T	7,0	19
Israel	6,1	27T	3,6	32	9,6	29	3,3	45	5,8	6T	4,5	26T
Italy	2,4	45	2,5	40T	4,8	45	4,5	33	3,2	20	1,3	46
Japan	3,9	38T	2,5	40T	6,3	41	4,8	32	1,7	29T	1,6	45
Korea, Rep.	8,2	22	5,4	18T	13,4	21	16,4	1	1,5	31T	3,7	31
Luxembourg	5,5	30	2,3	43	7,3	37	3,6	40T	4,6	11	4,1	29
Netherlands	9,3	17	5,2	22	14,2	19	6,4	23T	3,5	17	5,9	22
Norway	2,0	46	1,1	46	3,1	46	3,5	43	1,9	26T	0,9	47
Qatar	10,1	13T	6,0	14T	15,9	14	6,1	25	7,9	1	11,5	7
Saudi Arabia	7,9	24	11,8	4	19,6	10	5,3	27T	0,3	41T	8,6	15
Sweden	6,1	27T	3,1	36T	9,0	31	4,3	34	5,8	6T	3,6	32T
Switzerland	6,6	26	3,3	34T	9,8	26T	7,1	13T	7,1	3	2,9	37
United Arab Emirates	9,4	16	7,6	9	16,5	12T	6,4	23T	7,8	2	10,3	11
United Kingdom	8,9	21	3,9	27T	12,6	23	5,3	27T	4,1	13T	2,7	38
United States	10,7	9	6,0	14T	16,5	12T	8,9	9T	4,5	12	6,4	21
TOTAL	7,5		4,7		11,9		6,8		3,4		5,7	

Table 2.1 reflects the ranking of types of entrepreneurial activity by income levels (average GDP per capita) for 2021. As part of the level C Economies country group, South Africa performed well in the startup phases (nascent=10,5%, new business=7,3% and TEA=17,5%), ranking 10th, 10th, and 11th, respectively. Five countries in this category outperformed the South African established business ownership rate. South Africa ranked the second worst in the business discontinuance rate (13,9%) among this group of countries and the third worst among all participating GEM countries (47 countries), with only the Dominican Republic (14,7%) and Kazakhstan (18%) scoring a higher rate.

A positive finding is that South Africa, although considered a lower economic level, outperformed 13 level B Economies in the nascent entrepreneurship category, 16 countries in the new business ownership category, and 12 countries in the TEA category. However, South Africa only scored slightly higher than 6 other level B Economies in the established

business ownership rate category. This shows that the focus of policy and support initiatives should be on improving South African entrepreneurial throughput and continuation.

Level A Economies are considered as developed countries. These generally have lower startup rates; however, they also have higher established businesses and lower business discontinuance rates, making a significant difference in the impact of entrepreneurial activity. Higher-income countries generally also score higher on the National Entrepreneurial Context Index (NECI) (see Section 3 for more detail).

A clear relationship between startup rates, discontinuance rates, and income levels can be noticed from the table. This is graphically illustrated in **Figures 2.7 and 2.8**. Although the levels of nascent entrepreneurs are higher in lower-income countries, so is the discontinuance rate level. This trend continues as the country's income level also increases, i.e., lower startup rates and also lower discontinuance rates.

Figure 2.7: Relationship between nascent and discontinuance rates according to country income levels

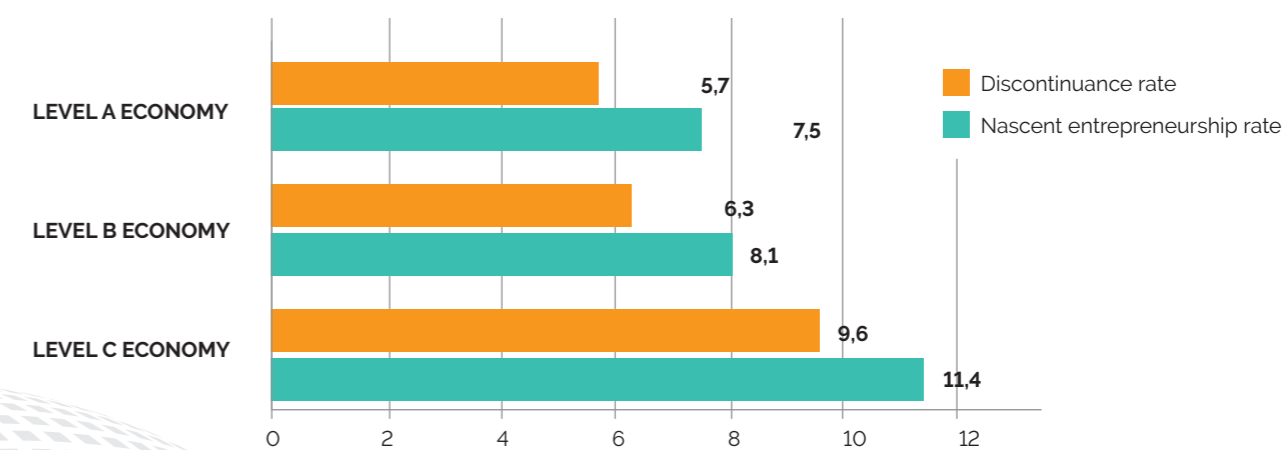
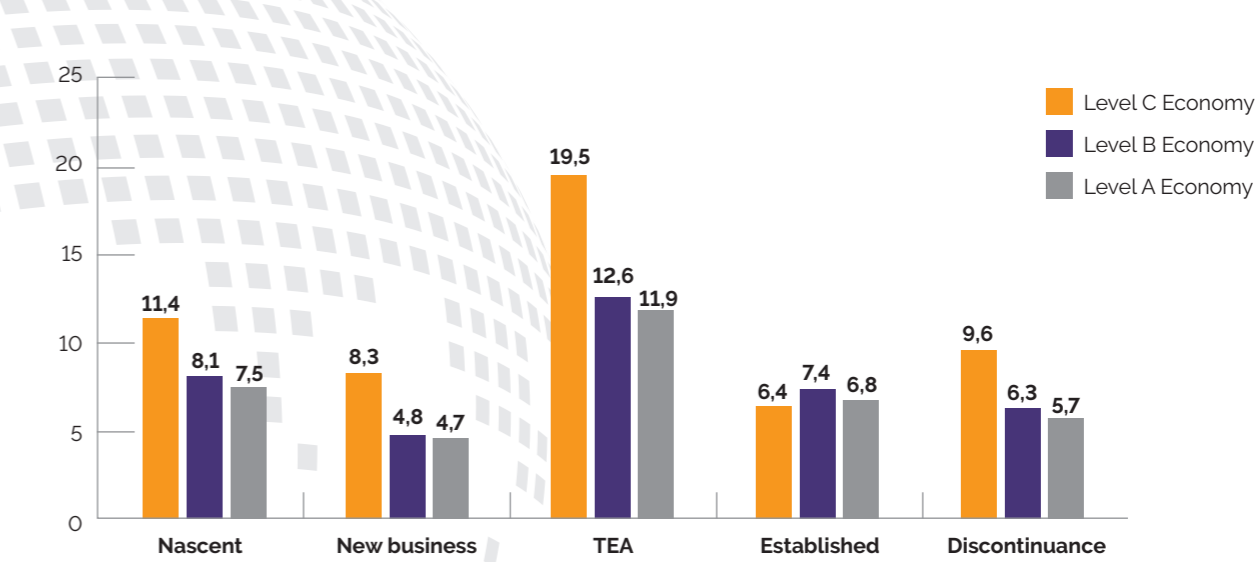
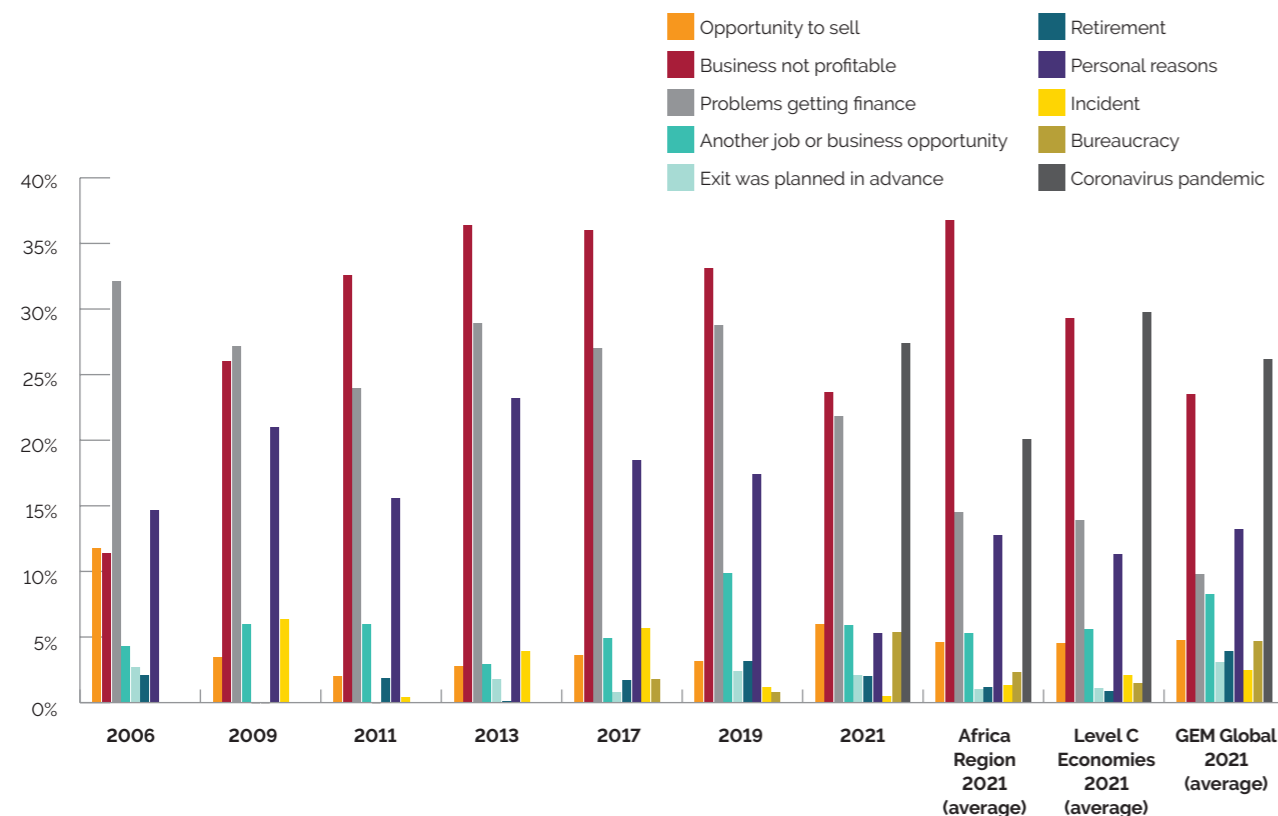


Figure 2.8: Relationship between all entrepreneurial activity rates according to country income levels



Figure/Table 2.9: Reasons for business exits in South Africa 2006-2021

Percentage of entrepreneurs exiting a business in the previous year



	2006	2009	2011	2013	2017	2019	2021	Africa Region 2021 (average)	Level C Economies 2021 (average)	GEM Global 2021 (average)
Opportunity to sell	11.8*	3.5	2.0	2.8	3.6	3.2	6.0	4.6	4.5	4.8
Business not profitable	11.4	26.0	32.6	36.4	36.0	33.1	23.7	36.8	29.3	23.5
Problems getting finance	32.1	27.2	24.0	28.9	27.0	28.8	21.8	14.5	13.9	9.8
Another job or business opportunity	4.3	6.0	6.0	2.9	4.9	9.9	5.9	5.3	5.6	8.3
Exit was planned in advance	2.7	-	-	1.8	0.8	2.4	2.1	1.0	1.1	3.1
Retirement	2.1	-	1.9	0.1	1.7	3.2	2.0	1.2	0.9	3.9
Personal reasons	14.7	21.0	15.6	23.2	18.5	17.4	5.3	12.8	11.3	13.2
Incident	-	6.4	0.4	3.9	5.7	1.2	0.5	1.3	2.1	2.5
Bureaucracy	-	-	-	-	1.8	0.8	5.4	2.3	1.5	4.7
Coronavirus pandemic	-	-	-	-	-	-	27.4	20.1	29.8	26.2

* Read as 11.8% of early-stage entrepreneurs in 2006 exited their business because of an opportunity to sell.

A high business discontinuance rate is problematic for an economy. South Africa ranked the third worst in this category in 2021 (13.9%). **Figure/Table 2.9** reflects the reasons for business owners exiting their businesses. As expected, the main reasons were the impact caused by the COVID-19 pandemic and an unprofitable business (which could also indirectly be due to the effect of the pandemic on markets). Compared to 2017 (1.8%) and 2019 (0.8%), bureaucracy as a reason increased significantly to 5.4% (2021). Bureaucracy refers to the regulations, rules, procedures, and

administrative burden that makes starting and running a business difficult and onerous.

Exiting due to an unprofitable business declined from 36% (2017) and 33.1% (2019) to 23.7% (2021). Compared to the African region (14.5%), level C Economies (13.9%) and the global average (9.8%), South Africa reported problems with accessing finance as a reason to exit more often (21.8%). Accessing finance (as opposed to the availability of finance) is a general concern among nascent and new entrepreneurs in South Africa.

The South African entrepreneurs: demographic profile

Total early-stage entrepreneurship activity by gender

Women and youth in entrepreneurship are critical levers for economic growth and development, both in South Africa and other African/developing 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.^{12,13,14} 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.¹⁵ 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.¹⁶

While traditionally, the business world, including the world of new businessmen, has been advantaged, successive GEM reports have shown that this landscape is changing in some countries.¹⁷ Closing

12 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](https://doi.org/10.1007/s11205-015-0876-y)

13 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](https://doi.org/10.3389/fpsyg.2018.00994)

14 Meyer N. (2018). *South African female entrepreneurs' intention to remain in business*. (Doctoral thesis). Potchefstroom, South Africa: North-West University.

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

16 GEM SA 2019/2020 Report, Igniting startups for economic growth and social change (p. 36).

17 GEM 2020/21 Special Report on Women's Entrepreneurship: Thriving Through Crisis (2021, p. 61-63). <https://gemconsortium.org/reports/womens-entrepreneurship>

the gender gap and providing the necessary support to increase women's entrepreneurial activity would substantially increase the number of new businesses as well as provide new jobs and income opportunities, often to those who need them most.

The GEM research across 47 economies in 2021 shows that there are four economies in which TEA for women exceeds that of men: Kazakhstan, Spain, Dominican Republic, and Morocco – none of which are among the income level A Economies. There are five economies where there are still two men or more starting and running a new business for every woman doing the same: Japan, Egypt, Turkey, Norway, and the United Arab Emirates – three of which are level A Economies.¹⁸

There are emerging indications that women-led businesses may have borne the brunt of the impacts of the pandemic, so some of the progress made towards greater gender equality in entrepreneurship in recent years may be jeopardised in the near future.¹⁹ For example, women entrepreneurs were most affected as a result of lockdowns and restrictions since they were mostly the ones managing both the absence of childcare and school closures.

Given that the increase in women's entrepreneurship rates is a relatively recent phenomenon, men unsurprisingly dominate EBO rates.²⁰ **Figure 2.10** shows the level of entrepreneurial activity (TEA) among men and women respectively for South Africa during the period 2005 to 2021.

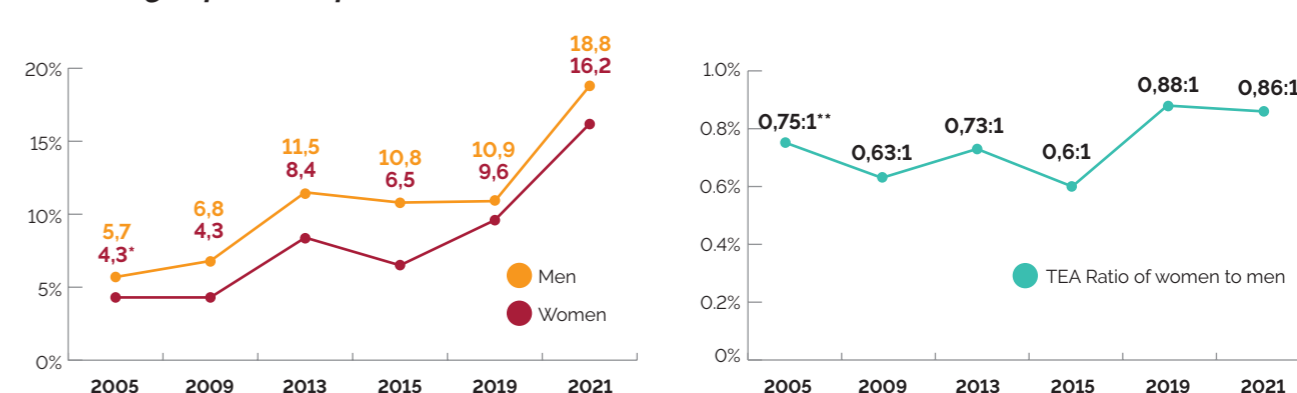
What is noteworthy is the high TEA rate for both men and women in 2021. The ratio of women to men TEA in the adult population in 2021 was 0,86:1.

18 Ibid.

19 Manolova, T.S., Brush, C.G., Edelman, L.F., & Elam, A. (2020). Pivoting to stay the course: How women entrepreneurs take advantage of opportunities created by the COVID-19 pandemic. *International Small Business Journal*, 38(6), 481-91. <https://doi.org/10.1177/0266242620949136>

20 GEM (Global Entrepreneurship Monitor) (2022, p. 63). *Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption*. London: GEM.

Figure 2.10: Total early-stage entrepreneurial activity (TEA) by gender in South Africa 2005-2021



*Read as 4.3% of adult women were engaged in early-stage entrepreneurial activity in 2005.

**Read as, for every 100 men engaged in early-stage entrepreneurial activity in 2005 there were 75 women entrepreneurs.



South Africa is a patriarchal society, as such, I have been blatantly told I won't get a business deal because I am a female, or at times in boardrooms, I'd be expected to get up and serve tea to my male counterparts because of my gender. I made it my mission to remind them that gender roles only exist at home. In the boardroom we are all equals, get up and serve your own tea." - Mbali Blaai.

Data Service Agency (DSA) – Mbali Blaai

With great freedom comes great responsibility.

Data Service Agency (DSA) started in 2017 and aimed to provide academic support to students (schools and tertiary institutions) and guide young entrepreneurs on their journey. The agency currently offers 37 different types of services within different divisions.

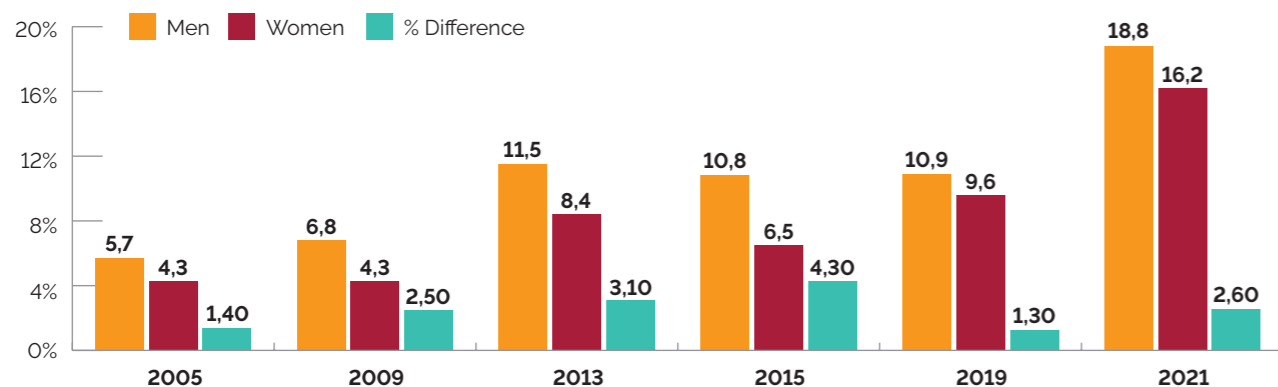
Mbali places great emphasis on relationships and networking. This includes attending industry and business events alongside building relationships with

government agencies. This also includes appointing and training interns at the agency to become full-time employees.

According to Mbali, the greatest challenges were managing finances and especially managing her mindset. This includes struggling with delegation, self-critique and managing low expectations from others because of her gender. Realising this was becoming destructive, Mbali gained the necessary skills to manage these challenges and continues to strive to make an impact and be inspirational.

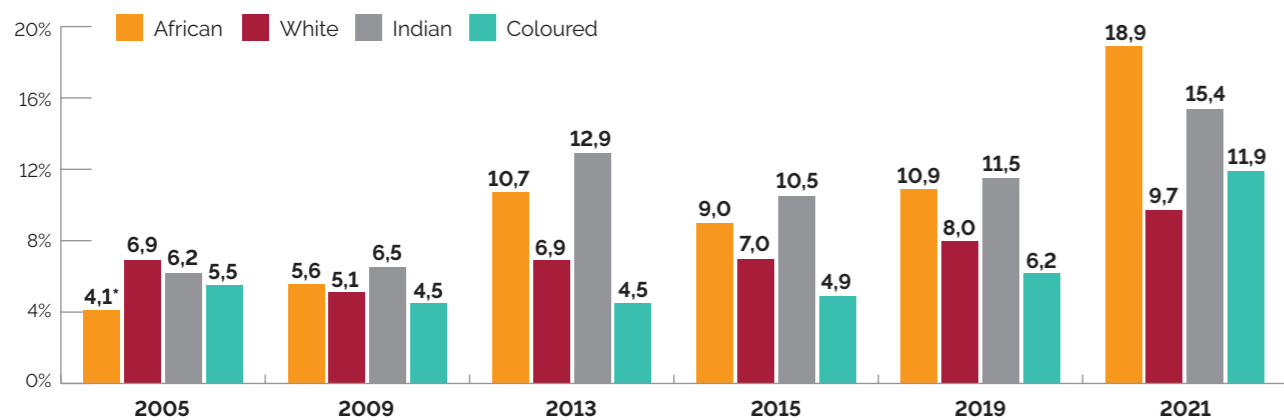
Figure 2.11 reflects the men and women TEA rates as well as the difference between them. The TEA rate difference has fluctuated from a high of 4,3% (2015) to a low of 1,3% (2019). The current difference is 2,6%, and the overall upward trend may reflect the success of many policies and initiatives aimed to support women entrepreneurship development in South Africa.

Figure 2.11: Total early-stage entrepreneurial activity (TEA) by gender (including % difference) in South Africa 2005-2021



Total early-stage entrepreneurship activity by race

Figure 2.12: TEA by race in South Africa 2005-2021
Percentage of Adult Population

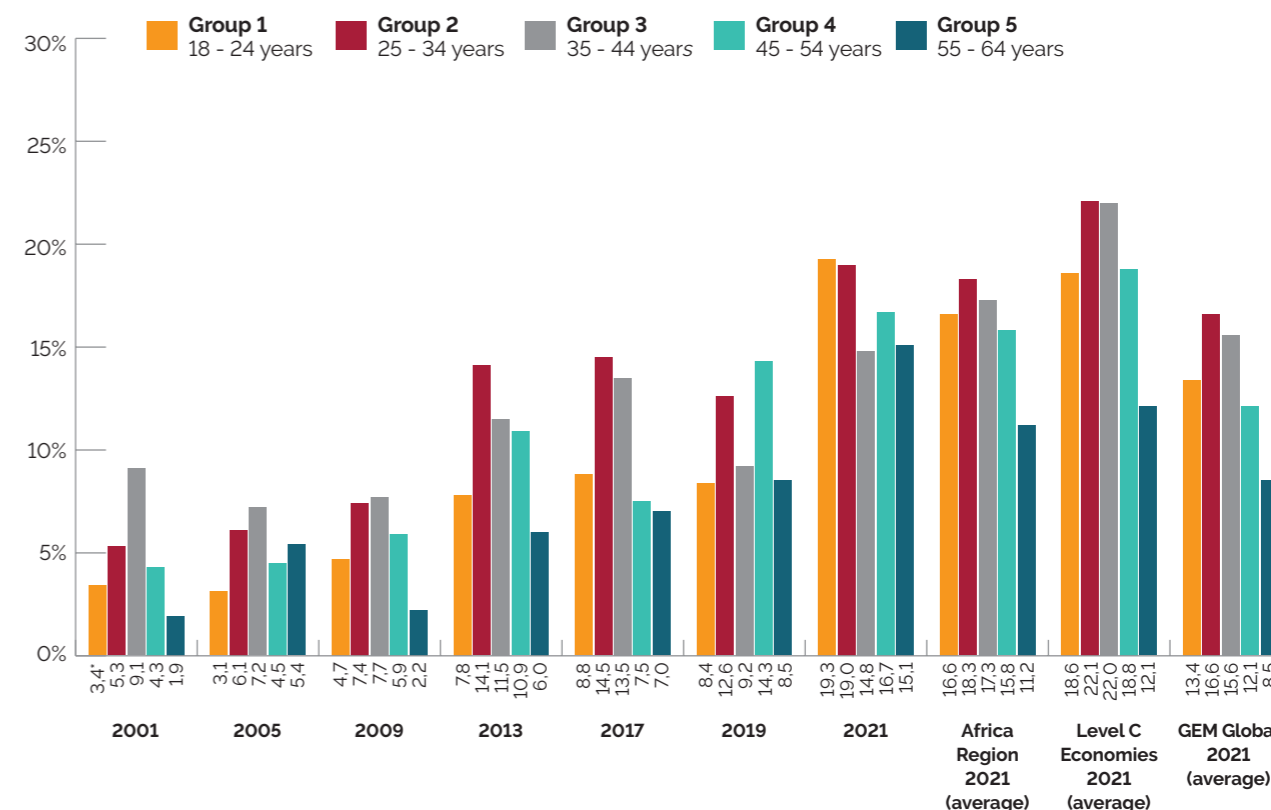


* Read as 4.1% of Africans were engaged in early-stage entrepreneurial activity in 2005.

Figure 2.12 reflects the TEA rate by race for South Africa between 2005 and 2021. For all race categories, TEA has increased since 2005. Specifically, the African (18,9%), Indian (15,4%), and Coloured (11,9%) categories for 2021 show a significant increase since 2005.

Total early-stage entrepreneurship activity by age categories

Figure/Table 2.13: TEA by age group in South Africa 2001-2021
Percentage of Adult Population



* Read as 3,4% of adults aged 18-24 in 2001 were engaged in early-stage entrepreneurial activity.

	2001	2005	2009	2013	2017	2019	2021	Africa Region 2021 (average)	Level C Economies 2021 (average)	GEM Global 2021 (average)
18 - 24 years	3,4*	3,1	4,7	7,8	8,8	8,4	19,3	16,6	18,6	13,4
25 - 34 years	5,3	6,1	7,4	14,1	14,5	12,6	19,0	18,3	22,1	16,6
35 - 44 years	9,1	7,2	7,7	11,5	13,5	9,2	14,8	17,3	22,0	15,6
45 - 54 years	4,3	4,5	5,9	10,9	7,5	14,3	16,7	15,8	18,8	12,1
55 - 64 years	1,9	5,4	2,2	6,0	7,0	8,5	15,1	11,2	12,1	8,5

Figure/Table 2.13 reflects the TEA by age category. Considering South Africa's high youth unemployment rate, it is promising that the two highest groups of TEA were reported among 18-24 year-olds (Group 1) and 25-34 year-olds (Group 2). These rates have significantly improved since 2001 with Group 1 increasing from only 3,4% (2001) to 19,3% (2021) and Group 2 from 5,3% (2001) to 19% (2021).

South African TEA rates per age category are higher in most of the comparative regions. Generally, in terms of age distribution within the entrepreneurial activity and startups, most economies tend to follow a bell-shaped distribution, indicating that younger (18-24 years) and

older (55-64 years) groups tend to record lower TEA rates compared to age groups between 25-54 years. This trend can be seen in the GEM global average and the level C Economies' average but deviates among the African region and South Africa for 2021. The bell-shaped trend is noticeable in the South African data for the majority of the past years (2001, 2009, 2013, 2017 and 2019), and the outlier figures for 2021 may have been due to young people seeking self-employment due to lack of other employment opportunities.

Figure 2.14 shows TEA rates by gender, age, and education across the participating level C Economies.



After completing my matriculation in 2001, I became a statistic, just another unemployed youth. I had to take charge of my future." - *Kenneth Kayser.*

Young Engineers South Africa – Kenneth Kayser

Slow success builds character; fast success builds ego. Appreciate the adversity on your journey.

Kenneth Kayser shows that adversities faced in youth such as poverty, homelessness and unemployment can be overcome. Since his parents' divorce, Kenneth had to be the primary provider for his family and could not attend university. However, in 2016, Kenneth was awarded the opportunity to study at Harvard University in the US. Upon returning to South Africa, together with his wife and other franchise owners, they established Young Engineers in South Africa in 2018.

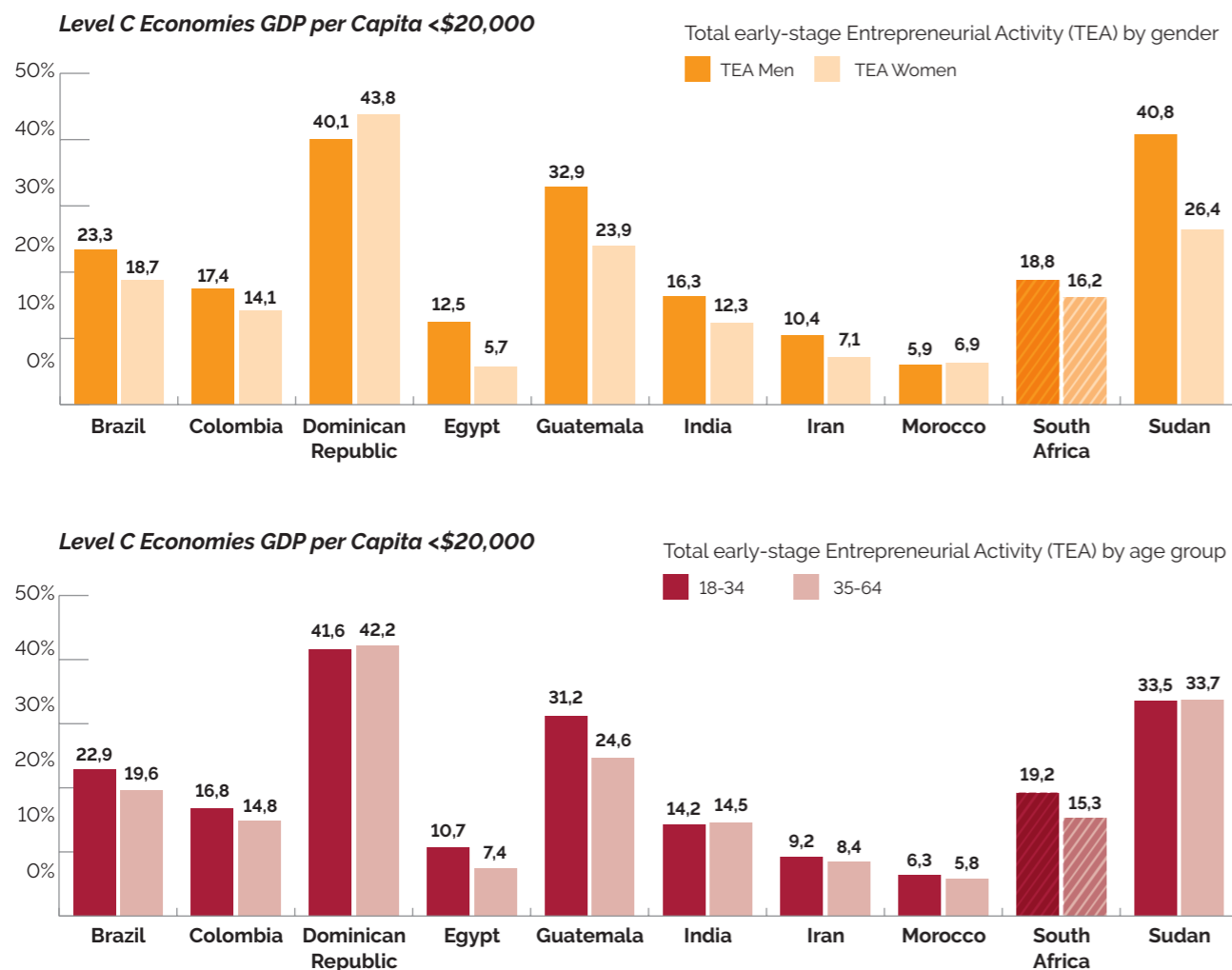
The business offers robotics, software development, and electrical and mechanical engineering

programmes to schools and students (ages 4 to 15) as either an in-curricular or extra-curricular activity. The business has grown organically and currently operates in over 40 locations.

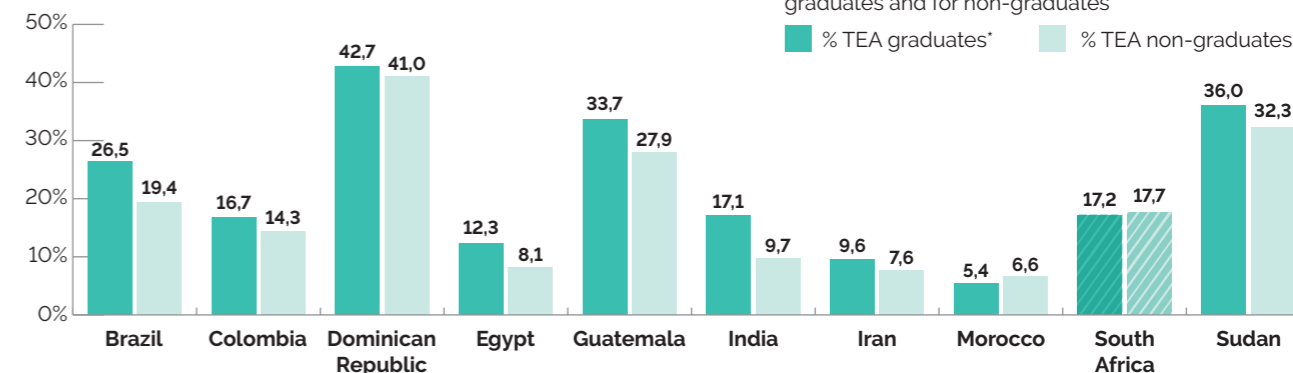
The business believes in leading by example and argues that educating the next generation from the foundation phase will help build new innovators. The business also targets university students who have studied education and require practical experience.

Kenneth hopes to invest in other companies to help them grow and create more job opportunities, thereby giving hope to others who have been or currently are in challenging situations.

Figure 2.14: Entrepreneurial activity by gender, age, and education (% of adults aged 18-64)



Level C Economies GDP per Capita <\$20,000



* Graduates: those reporting that their highest educational attainment is a post-secondary qualification, usually a bachelor's degree or higher.

A breakdown of TEA rates by gender, race and age categories is discussed earlier, and what follows is a short discussion on education levels.

Higher levels of educational attainment are typically associated with higher levels of entrepreneurial activity, but this is not conclusive. Education is important but not the only variable in entrepreneurial success. However, it does play a role in developing knowledge, levels of confidence in skills and abilities to start a business; decision making; and, to some extent, spotting opportunities and access to finance and networks.

Considering only the level C Economies, the Dominican Republic reported the highest TEA rates for the age groups of 18–34 years (41.6%) and 34–64 years (42.2%), followed by Sudan, Guatemala and Brazil who also report high rates. Considering gender, all countries except the Dominican Republic and Morocco had higher rates of men participating in early-stage entrepreneurship. The countries with the highest difference in these rates were Egypt (with a 6.8% difference between men and women TEA rates), Guatemala (with a difference of 9%), and Sudan (with a difference of 14.4%). Entrepreneurship development for women is high on the research agendas of many countries, and it is encouraging to see that several level C Economies are slowly closing this gender gap.

The TEA rates between graduates and non-graduates do not differ much among the level C Economies. The highest reported difference was for Brazil (difference of 7.1%) and India (difference of 7.4%). All other countries reported differences ranging between 5.8% (Guatemala) and 0.5% (South Africa).

Graduates are more likely than non-graduates to start their own businesses in 36 of the 47 economies.

In four European countries (Spain, France, Italy, and Luxembourg), they are more than twice as likely. Therefore, in this sample, graduates are more likely than non-graduates to start new businesses.²¹

The 11 economies in which the entrepreneurship rate for non-graduates exceeds that of graduates include two level C Economies (Morocco and South Africa), three level B Economies (Latvia, Kazakhstan, and Turkey), and six level A Economies (Norway, Japan, United States, Saudi Arabia, United Arab Emirates, and Israel). The latter six are among the most knowledge-intensive economies globally, yet non-graduates are more likely than graduates to start businesses. This may reflect excellent employment opportunities for graduates in these economies in well-paid, secure jobs.

Motivations for starting a business

There can be a wide variety of reasons for starting a business. The motivations may include making a difference in the world, building great wealth or income (for oneself, one's family, and the community), continuing a family tradition or generating an income when jobs are scarce. These reasons are all common. However, the most popular reason for starting a business is the entrepreneur's desire to have independence and autonomy.²² Figure/Table 2.17 shows the major reasons entrepreneurs start a business according to the 2021 GEM data collected during the COVID-19 pandemic.

21 GEM (Global Entrepreneurship Monitor) (2022, p. 63). *Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption*. London: GEM.

22 GEM (Global Entrepreneurship Monitor) (2022, p. 69). *Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption*. London: GEM.

Figure 2.15 shows the overall entrepreneurial motivation by gender for South Africa (2021). Only a few differences between men and women's entrepreneurial motivations are noted. The highest differences are in the category of wealth and income. In the African region, 4.4% more men are motivated by wealth and income while in the level C Economies the difference is 7.4% and globally the difference is 7.2%. Surprisingly, this difference is much lower in South Africa, where only 1.1% more men were motivated by wealth and income. More women are motivated to earn a living across all regions, including South Africa.

Figure 2.15: Entrepreneurial motivation by gender in South Africa 2021

Percentage of Adult Population (TEA)



*Read as in 2021 83.9% of adult men who were early-stage entrepreneurs are motivated by making a difference.



Aquabix farming didn't start as a huge business idea. It was a small-time passing hobby started during secondary school, which became a great source of pocket money. I followed my instinct and my passion, and this motivated me to make a success of my business." - Thys van der Walt.

AQUABIX Farming – Thys van der Walt

Persevering and seizing opportunities.

Even though AQUABIX Farming started as a school hobby, it has operated as a sustainable organisation for the past 5 years by following three core principles: supplying top-quality, locally-bred koi fish at premium prices; following responsible farming practices to ensure top-quality animal care; and educating others on sustainable farming methods.

The business places great emphasis on self-belief and networking. At the SAKA (South African Koi Association) show in 2017/2018, the business made its first partnership after multiple failed attempts to

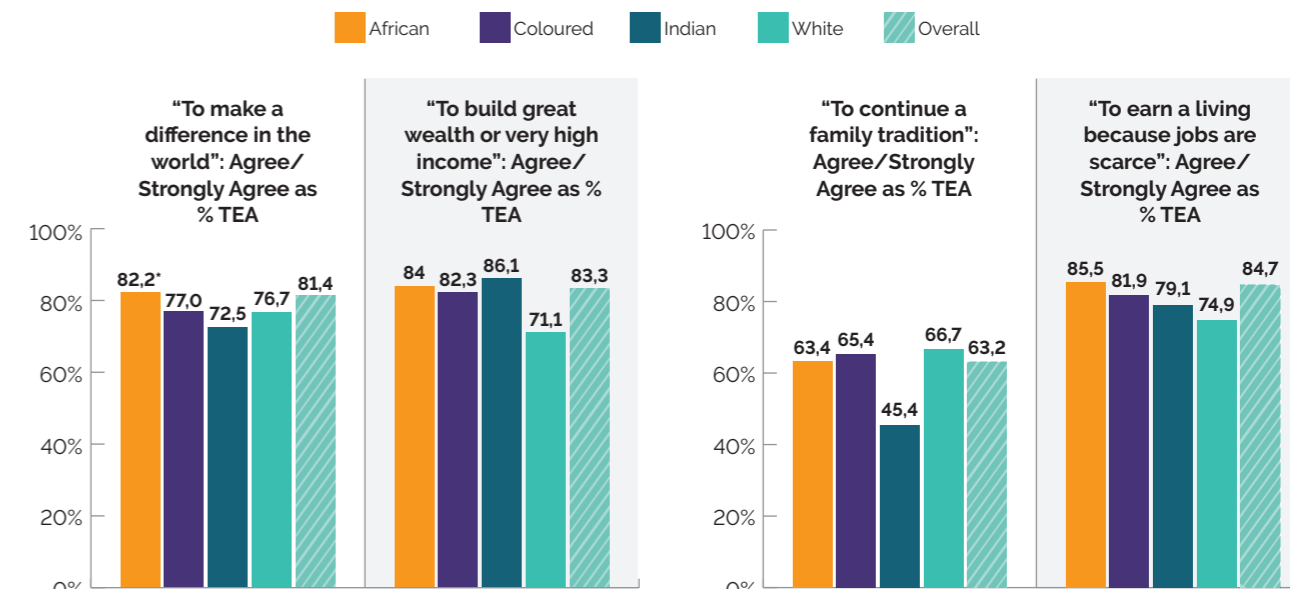
obtain capital from credit service providers. Today, the business actively attends annual farming days hosted by other agricultural companies to continue building their network.

The business soon realised that relying on seasonal yields was not feasible and established alternative revenue streams by harvesting fresh produce and selling fish nutrition supplies.

Therefore, perseverance is key because challenges and obstacles will always be present: "My biggest challenge was finding someone to believe in my product and invest in it. Perseverance and belief in myself assisted me in overcoming this challenge."

Figure 2.16: Entrepreneurial motivation by race in South Africa 2019-2021

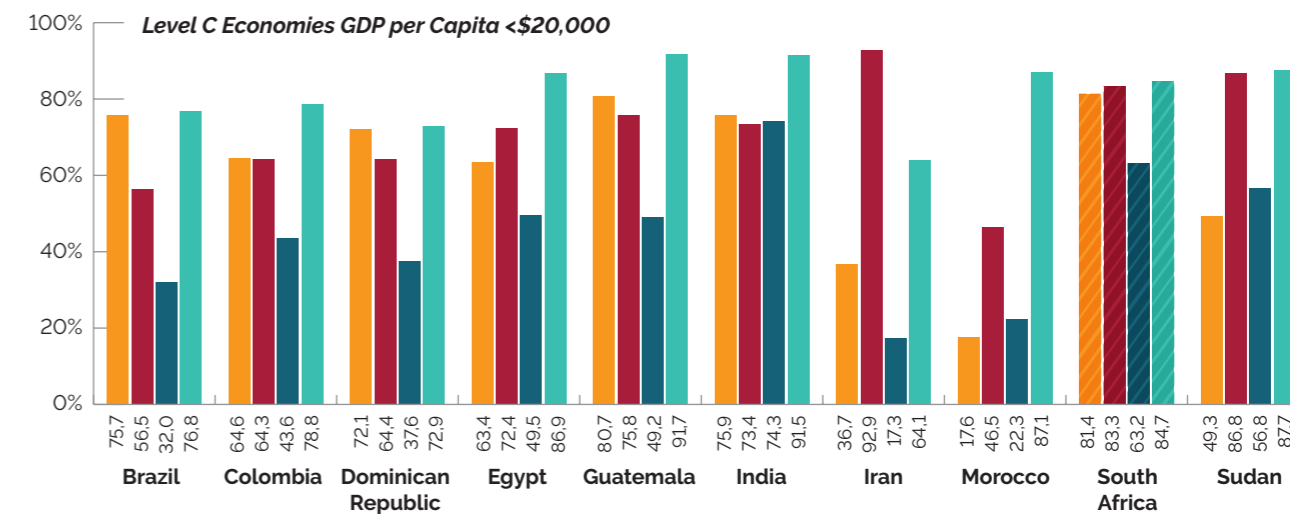
Percentage of Adult Population (TEA)



* Read as, in 2021, 82.2% of Africans who are early-stage entrepreneurs are motivated by making a difference.

To continue a family tradition is the lowest motivation for all race categories (63.2% overall), and to earn a living because jobs are scarce is a bigger motivation for African (85.5%) and Coloured (81.9%) entrepreneurs than for the other race categories. This motivation also has the highest agreement overall (84.7%). African entrepreneurs (82.2%) are the most interested in entrepreneurship in order to make a difference in the world. To build great wealth or very high income (83.3%) is the second most important overall motivation.

Figure/ Table 2.17: The motivation to start a business (% of Total early-stage entrepreneurial activity who somewhat or strongly agree)



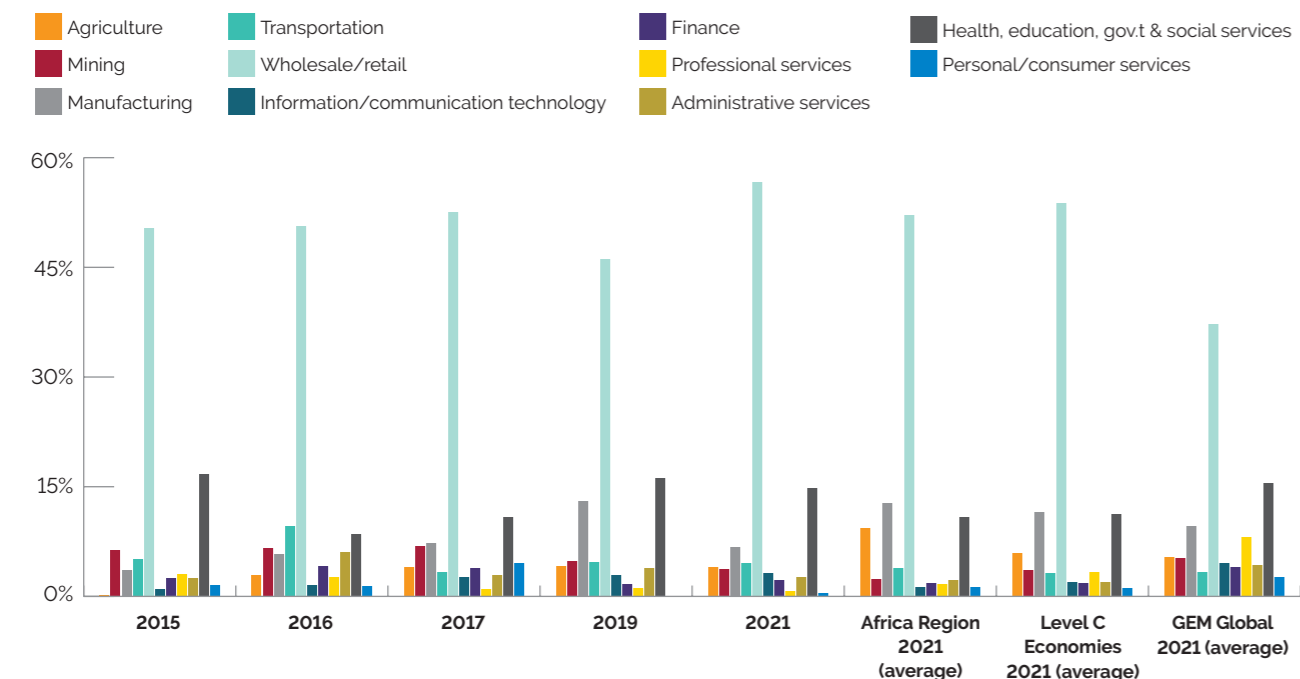
Level C Economies GDP per Capita <\$20,000	"To make a difference in the world"	"To build great wealth or very high income"	"To continue a family tradition"	"To earn a living because jobs are scarce"
Brazil	75.7	56.5	32.0	76.8
Colombia	64.6	64.3	43.6	78.8
Dominican Republic	72.1	64.4	37.6	72.9
Egypt	63.4	72.4	49.5	86.9
Guatemala	80.7	75.8	49.2	91.7
India	75.9	73.4	74.3	91.5
Iran	36.7	92.9	17.3	64.1
Morocco	17.6	46.5	22.3	87.1
South Africa	81.4	83.3	63.2	84.7
Sudan	49.3	86.8	56.8	87.7

Considering level C Economies and motivation, South Africans ranked number one in the category to *make a difference in the world* with 81,4% of total early-stage entrepreneurs who somewhat or strongly agreed with this statement. Only 63,2% of all South African early-stage entrepreneurs agreed with the statement to *continue a family tradition*. With the exception of India, Morocco and Sudan, all other countries ranked this motivation least important. Iran had a strong preference for *building great wealth or very high income* (92,9%), and Guatemala (91,7%) and India (91,5%) had a strong inclination towards earning a *living because jobs were scarce*.

Distribution of TEA by sector in South Africa

Figure/Table 2.18: Distribution of TEA by sector in South Africa 2015-2021

Percentage of Adult Population (TEA)



* Read as 0,1% of all early-stage entrepreneurial activity in 2015 was in the agricultural sector.

	2015	2016	2017	2019	2021	Africa Region 2021	Level C Economies 2021 (average)	GEM Global 2021 (average)
Agriculture	0,1	2,9	4,1	4,2	4,1	9,4	5,9	5,4
Mining	6,3	6,6	6,9	4,9	3,7	2,4	3,6	5,3
Manufacturing	3,6	5,8	7,3	13,1	6,8	12,8	11,6	9,6
Transportation	5,1	9,7	3,3	4,7	4,6	3,9	3,2	3,4
Wholesale/retail	50,4	50,6	52,5	46,1	56,7	52,2	53,8	37,2
Information/communication technology	1,0	1,6	2,6	2,9	3,2	1,3	2,0	4,6
Finance	2,5	4,2	3,9	1,7	2,3	1,9	1,9	4,1
Professional services	3,1	2,7	1,0	1,2	0,7	1,7	3,4	8,1
Administrative services	2,5	6,1	2,9	3,9	2,6	2,2	2,0	4,3
Health, education, gov.t & social services	16,8	8,5	10,9	16,2	14,8	10,9	11,3	15,5
Personal/consumer services	1,6	1,4	4,6	1,3	0,5	1,3	1,2	2,6

Figure/Table 2.18 reflects the distribution of TEA by sector from 2015 to 2021. Globally, wholesale and retail have been the largest sector for early-stage entrepreneurial activity. This sector also reported the highest difference from 2015 to 2021 in South Africa, increasing by 6,3%. The agricultural and manufacturing sectors also increased by 4% and 3,2% respectively. A definite positive is a gradual increase from 1% (2015) to 3,2% (2021) in the information and communication technology sector. The importance of innovation and technology usage in businesses, specifically to improve productivity, is crucial for advancing entrepreneurship and subsequent economic growth. Sectors that have reduced in early-stage entrepreneurial activity from 2015 to 2021 were the mining sector (-2,6%), transportation sector (-0,5%), finance sector (-0,2%), professional service sector (-2,4%), administrative sector (-0,1%), and the personal/consumer services sector (-1,1%).

Entrepreneurship and job creation

Entrepreneurship has an important role in job creation, particularly in South Africa and other developing countries where unemployment is a systemic socio-economic challenge. Small to medium enterprises represent by far the majority of all businesses in developing countries, are major contributors to GDP, and are the main drivers of new job creation.

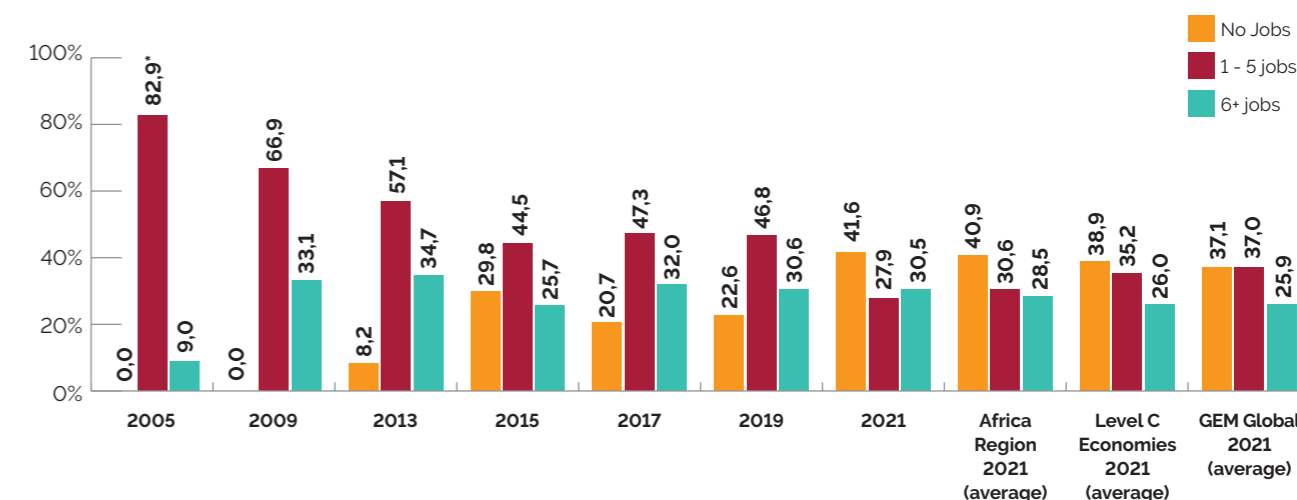
To illustrate, across the Organisation for Economic Co-operation and Development (OECD), comprising 36 countries from North and South America to Europe and Asia-Pacific, small and medium-sized enterprises (SMEs) account for 99% of all businesses and between

50% and 60% of value-added production. Nearly one-third of people in OECD member countries are employed in a micro-enterprises 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 promoting more inclusive and sustainable growth, economic resilience, and social cohesion.²³

²³ Organisation for Economic Co-operation and Development (OECD), 2019. OECD SME and Entrepreneurship Outlook 2018, Paris: OECD Publishing.

Figure 2.19: Job growth expectations for early-stage entrepreneurs in South Africa 2005-2021

Percentage of Adult Population (TEA)



* Read as 82,9% of early-stage entrepreneurs in 2005 expected to create between 1 and 5 jobs within the next 5 years.

Figure 2.19 reflects the job growth expectations for early-stage entrepreneurs between 2005 and 2021.

In 2013, only 8,2% of South African early-stage entrepreneurs reported that they anticipate creating no new jobs. This figure significantly increased to 41,6% in 2021. This rate is also high for the African region average (40,9%), the level C Economies (38,9%) average, and the global average (37,1%). Considering those early-stage entrepreneurs who expect to create between 1 and 5 new jobs in the future, the rate also went down significantly from 82,9% in 2005 to only 27,9% in 2021. South African rates for this category are similar to that of the African region (30,6%), 7,3% lower than the average for level C Economies and 9,1% lower compared to the GEM global average. On a positive note, the anticipated number of more than 6 new jobs being created in South Africa went up from 9% in 2005 to 30,5% in 2021.

Government support agencies

Small Enterprise Development Agency (Seda)

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. Despite its challenges, Seda has cemented its status as a leading facilitator of business development support services across the South African entrepreneurial ecosystem. Services are delivered in collaboration with external business development service providers to ensure impact.

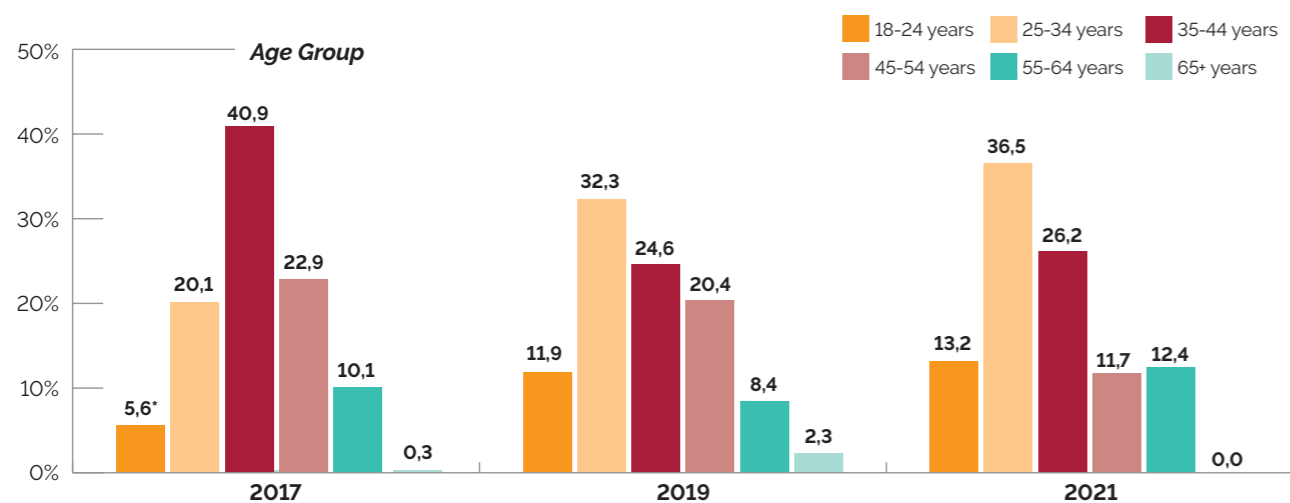
Seda has re-focused its efforts to align with the following strategic themes:

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

Survey participants were also asked if they knew of any other government initiatives that have been set up to assist small businesses, and if so, what government programmes they had used and how effective their services were.

Figures 2.20 and 2.21 summarise the adult population's awareness of Seda's services.

Figure 2.20: Percentage of the adult population who are aware of the services provided by Seda, by age group, 2017-2021

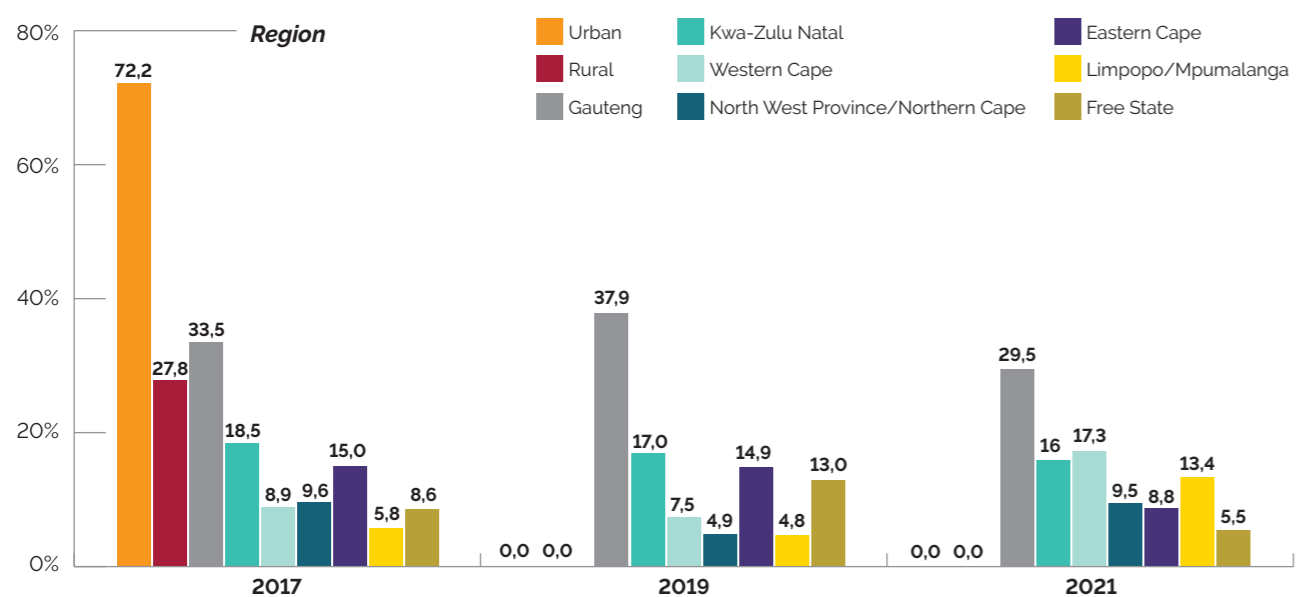


* Read as 5.6% of the adult population in 2017 between the ages of 18-24 years are aware of the services provided by Seda.

Familiarity with Seda has increased between 2019 and 2021 in all age categories, except the 45-54 years category, where it has declined by 8.7%. The biggest increases are in the 25-34 years category (4.2%) and the 55-64 years category (4%).

Note: in 2021, 65+ year-old respondents were not included in the sample.

Figure 2.21: Percentage of the adult population who are aware of the services provided by Seda, by region, 2017-2021

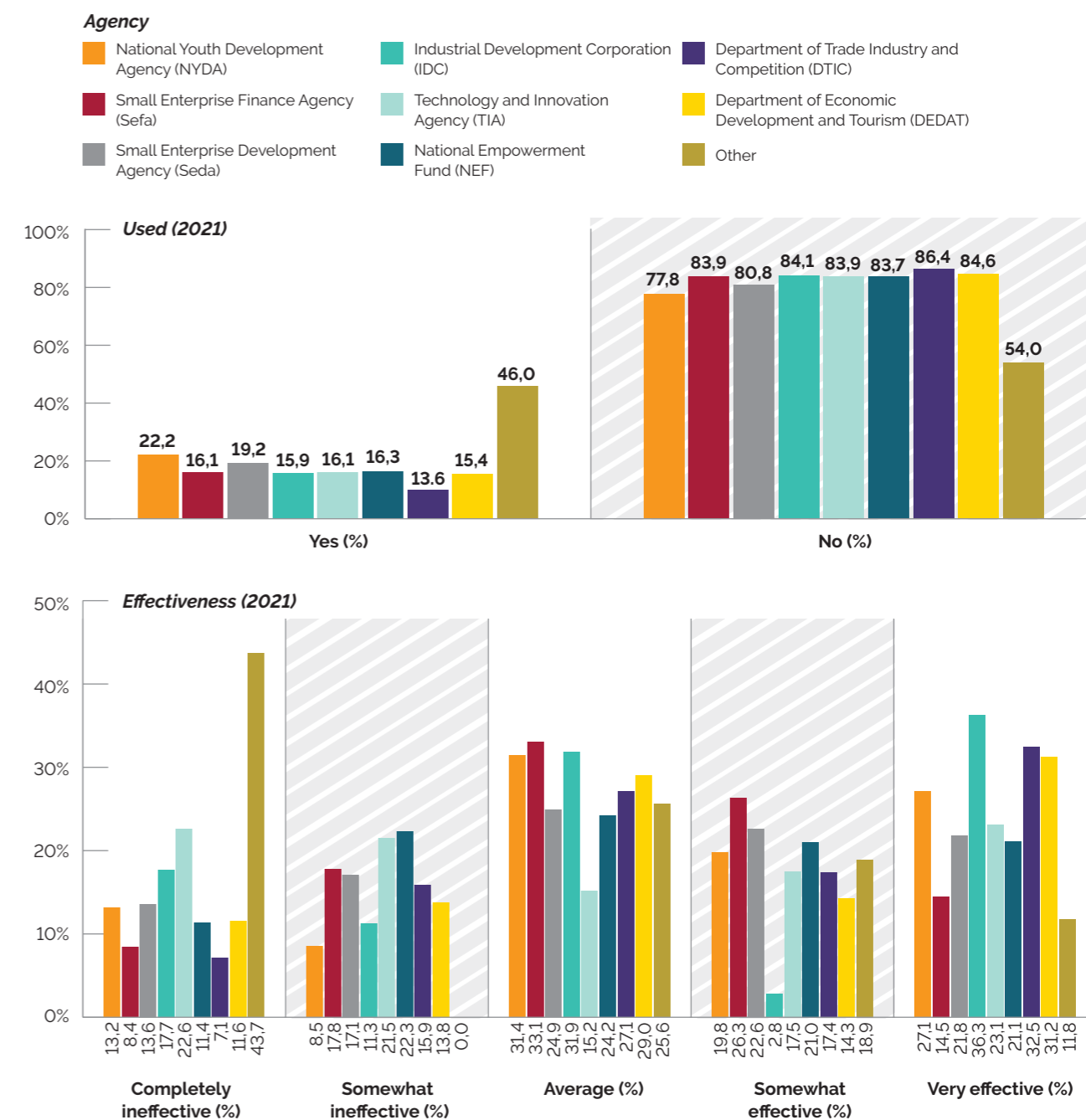


*Read as 33.5% of the adult population in 2017 in Gauteng were aware of the services provided by Seda.

Familiarity with Seda by region has increased between 2019 and 2021 in the Western Cape (9.8%), North West Province/Northern Cape (7.6%), and Limpopo/Mpumalanga (8.6%). Conversely, it has not increased in Gauteng (-8.4%), Kwa-Zulu Natal (-1%), Eastern Cape (-6.1%), and the Free State (-7.5%).

Figure 2.22 shows the use and perceived effectiveness of key government agencies by the adult population in 2021. Respondents were asked which government agencies they had used and how effective they perceived these agencies to be. The first observation is that the use of these agencies by the general population would be on a needs basis, i.e., by those that require support for starting up a business or for related advice and services.

Figure 2.22: The use and perceived effectiveness of government agencies in support of entrepreneurship (adult population)



The use range across the agencies is 15.4% (lowest) to 22.2% (highest) and, interestingly, 46% of respondents used *other* support agencies or services (although they were not ranked as highly effective).

Only respondents that had actually used a specified agency were asked to rate its effectiveness. Combining the categories for *somewhat and very effective*, and *completely and somewhat ineffective*, the DTIC (49.9%) and the NYDA (46.9%) are seen as most effective and the TIA (44.1%) and Other (4.7%) as the most ineffective.

The combined effectiveness rating for Seda is 44.4% and for Sefa 40.8%.

These agencies are key to driving entrepreneurial support in South Africa but cannot do so if they are not visible to those who need them. They are not effective in providing the relevant advice, guidance, and entrepreneurial development support.

SECTION 3

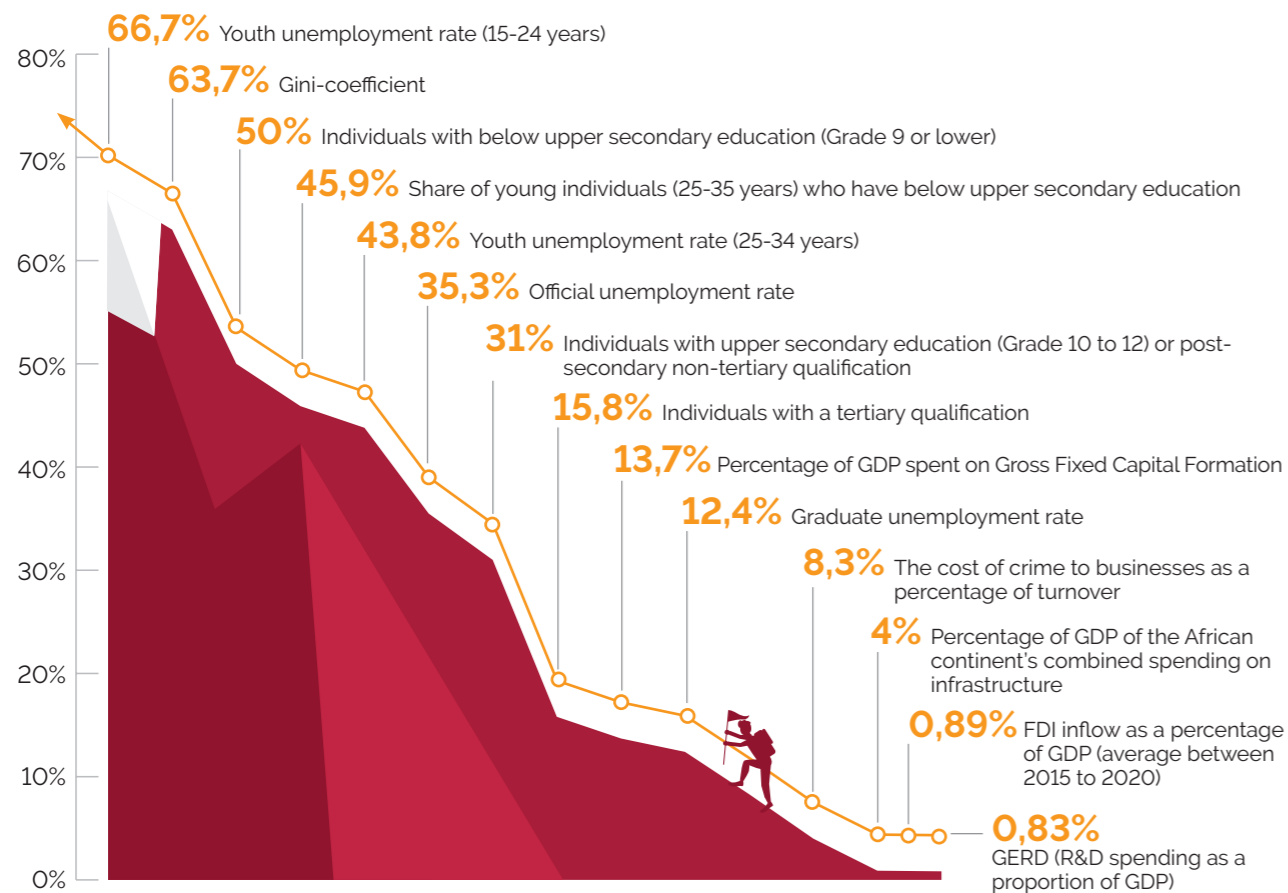
THE SOUTH AFRICAN ENTREPRENEURIAL ECOSYSTEM

It is well understood that entrepreneurs need enabling conditions to thrive and grow. Entrepreneurial ecosystem vitality is important and differs substantively from country to country and across economic regions within countries. The startup entrepreneurial ecosystem effect has clearly demonstrated that a significant proportion of all Unicorns is located in the startup ecosystems of five large city areas, namely San Francisco Bay, New York, Beijing, Los Angeles, and London. The evidence is clear that efforts to support entrepreneurs have not always been effective in South Africa. In this section, we unpack the current status of the country's entrepreneurial framework conditions and provide insights into how these can be revitalised to provide a more dynamic environment for entrepreneurial success.

SOUTH AFRICA ENTREPRENEURIAL CONTEXT

South Africa economy and entrepreneurship

60 756 135
Population



3 THE SOUTH AFRICAN ENTREPRENEURIAL ECOSYSTEM

Entrepreneurial ecosystems

There has been a surge in the interest in ecosystems in strategy research and practice, specifically on ecosystems and how they operate.²⁴ Borrowed from biology, the term ecosystem, in reference to businesses, generally refers to a group of interacting firms that depend on each other's activities.²⁵ In the context of strategy and based on the unit of analysis, the authors identify three broad types of ecosystem descriptions, namely business ecosystem (a focus on the firm and its environment), innovation ecosystem (focused on innovation or a new value proposition and the constellation of actors that support it), and platform ecosystem (how actors organise around a platform).²⁶

There has also been a growing focus on entrepreneurial ecosystems among researchers in the fields of innovation, entrepreneurship, economic geography, and public policy.²⁷ Although there is not yet a widely shared definition of entrepreneurial ecosystems, the working definition adopted in the GEM research consists of all the interdependent actors and factors that enable or constrain entrepreneurship in a particular territory or geography.²⁸ The interrelationships of actors and factors are, of course, systemic and complex.

For innovative businesses to thrive, they have to be embedded in effective and supportive entrepreneurial ecosystems.^{29, 30} Entrepreneurial ecosystems matter as they emerge from the interaction between startups, established firms, investors, incubators, policymakers, and other actors in a confined geographical region.³¹

COVID-19 severely impacted new business startups.

Entrepreneurial ecosystems offer resources, knowledge, exchange opportunities, talent, and mentors – all of which enable entrepreneurs to build and grow their businesses.

In 2021, GEM SA conducted two sub-national entrepreneurial ecosystem research projects for Cape Town and the eThekweni Metropolitan areas using its Entrepreneurial Ecosystem Index (ESI) methodology. The findings from this research are available in a separate report.

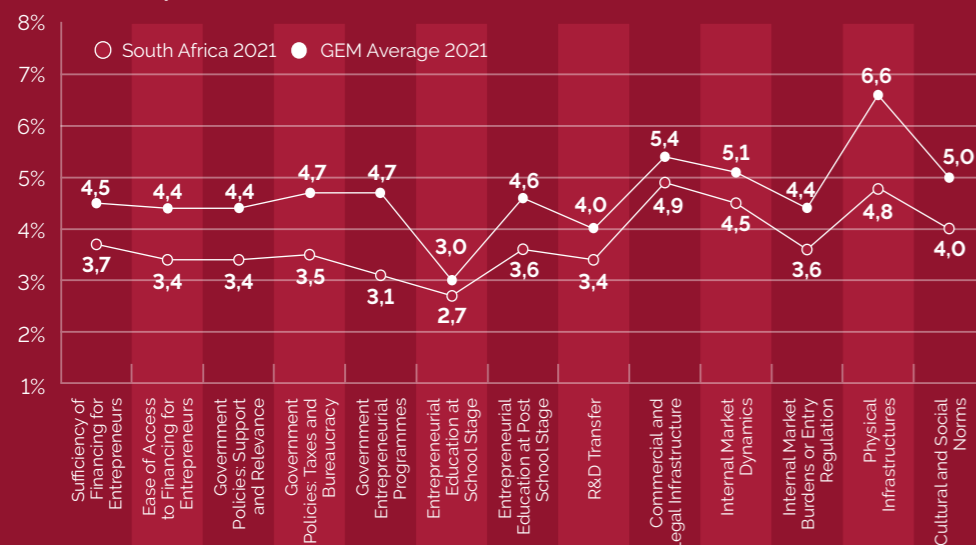
GEM Economic Framework Conditions (EFCs)

Section 2 focused on individual and societal attitudes and values about entrepreneurship and entrepreneurial activity in South Africa.

Section 3 turns to the context and framework conditions that influence the decision to embark on and grow new enterprises, determining how difficult or easy it is to set up and develop a sustainable and successful business.

During 2020 and 2021, the environment for starting a business was severely impacted by the ubiquitous COVID-19 pandemic and, very importantly, how governments worldwide responded differently to this challenge. Government responses were a factor of both foresight and the resources at their disposal. Some entrepreneurs seized on new business opportunities, and others faltered. Starting a new business was the only viable alternative to formal employment for many individuals, as established businesses shredded jobs to remain viable.

Entrepreneurial framework conditions



National Entrepreneurial context index (NECI) score and rank

2019: 3,63
(rank 49th/54)

2021: 3,7
(rank 45th/50)

24 Jacobides, M.G. et al. 2018. Towards a theory of ecosystems. 2018. Strategic Management Journal, 39(8), 2255-2276.
 25 Ibid. p 2256.
 26 Ibid. p 2256 – 2257.
 27 Malecki, E. J. 2018. Entrepreneurship and entrepreneurial ecosystems. Geography Compass, 12(3).
 28 Stam, E. & Van der Ven, A. 2019. Entrepreneurial ecosystem elements.
 29 Audretsch, D.B., Cunningham, J.A., Kuratko, D.F., Lehmann, E. E., & Menter, M. 2019. Entrepreneurial ecosystems: economic, technological, and societal impacts. The Journal of Technology Transfer, 44(2), 313–325. Retrieved from <https://doi.org/10.1007/s10961-018-9690-4>
 30 Stam, E. 2015. Entrepreneurial Ecosystems and Regional Policy: A Sympathetic Critique. European Planning Studies, 23(9), 1759–1769. Retrieved from: <https://doi.org/10.1080/09654313.2015.1061484>
 31 Audretsch, D.B et al. Ibid.

As set out in **Table 3.1**, GEM describes and assesses an economy's national entrepreneurial ecosystem against nine Economic Framework Conditions (EFCs).

Table 3.1: Entrepreneurial Framework Conditions (EFCs)

Entrepreneurial framework condition	Description
A1. Entrepreneurial Finance	Are there sufficient funds for new startups?
A2. Ease of Access to Entrepreneurial Finance	And are those funds easy to access?
B1. Government Policy: Support and Relevance	Do they promote and support startups?
B2. Government Policy: Taxes and Bureaucracy	Or are new businesses burdened?
C. Government Entrepreneurial Programmes	Are quality support programmes available?
D1. Entrepreneurial Education at School	Do schools introduce entrepreneurship ideas?
D2. Entrepreneurial Education Post-School	Do colleges offer courses in starting a business?
E. Research and Development Transfers	Can research be translated into new businesses?
F. Commercial and Professional Infrastructure	Are these sufficient and affordable?
G1. Ease of Entry: Market Dynamics	Are markets free, open and growing?
G2. Ease of Entry: Burdens and Regulation	Do regulations encourage or restrict entry?
H. Physical Infrastructure	Is this sufficient and affordable?
I. Social and Cultural Norms	Does culture encourage and celebrate entrepreneurship?

The EFCs are derived from two decades of research and experience and are the key influencing factors for entrepreneurial activity and the subsequent impact on economic growth.³²

The state of these EFCs can encourage, constrain, or completely discourage either the setting up of new businesses or the development of new startups into established businesses. Each condition is multidimensional, with no objective or quantifiable aggregate measure. To overcome this limitation, GEM seeks out expert views on the sufficiency or insufficiency of each condition by carrying out a National Expert Survey (NES) in each participating economy. The NES asks the same set of questions to at least 36 national experts, and often more, in each economy.³³

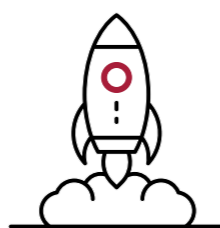
In 2021, the 50 National Teams participating in the GEM NES surveyed a total of 2 076 approved experts. The experts scored their national economy against the extent to which they agreed or did not agree to statements about each framework condition by using an 11-point Likert scale, ranging from completely untrue (0) to completely true (10).

³² See, for example, Bruns, K., Bosma, N., Sanders, M., & Schramm, M. (2017). Searching for the existence of entrepreneurial ecosystems: A regional cross section growth regression approach. *Small Business Economics*, 49(1), 31–54. Retrieved from <https://doi.org/10.1007/s11187-017-9866-6>.

³³ GEM (Global Entrepreneurship Monitor) (2022, p. 86). *Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption*. London: GEM.

In 2021, the NES incorporated a new topic related to the ease of accessing funds for entrepreneurship. As a result, the financing pillar in the survey now has two parts: sufficiency of available finance and the relative ease of access to those funds. The NES also added questions related to special areas of interest such as responses to the pandemic, progress and support for digitalisation, and support for women entrepreneurs.³⁴

³⁴ Ibid.



The EFCs are the key influencing factors for entrepreneurial activity and the subsequent impact on economic growth.

Unpacking the entrepreneurial framework conditions (EFCs)

Table 3.2 shows the South African ratings of the 13 EFCs (across 9 domains) from 2015 to 2021. It also shows the average 2021 GEM global ratings and, in the commentary, indicates the South African rankings compared to the 50 participating GEM countries.

Table 3.2: Entrepreneurial Framework Conditions scores, 2015-2021 (weighted average, 0 = highly insufficient : 10 = highly sufficient)

Entrepreneurship Framework Conditions (EFCs)	South Africa 2015	South Africa 2016	South Africa 2017	South Africa 2019	South Africa 2021	GEM average 2021
Sufficiency of Financing for Entrepreneurs	4.4	4.8	4.6	4.0	3.7	4.5
Ease of Access to Financing for Entrepreneurs					3.4	4.4
Government Policies: Support and Relevance	4.6	5.3	4.5	3.5	3.4	4.4
Government Policies: Taxes and Bureaucracy	3.4	3.0	3.6	2.7	3.5	4.7
Government Entrepreneurial Programmes	3.3	3.3	3.5	3.1	3.1	4.7
Entrepreneurial Education at School Stage	3.4	3.2	3.1	2.2	2.7	3.0
Entrepreneurial Education at Post School Stage	4.7	4.2	4.6	3.5	3.6	4.6
R&D Transfer	3.8	3.7	3.1	3.2	3.4	4.0
Commercial and Legal Infrastructure	5.4	5.7	5.0	4.4	4.9	5.4
Internal Market Dynamics	5.0	5.8	5.9	4.7	4.5	5.1
Internal Market Burdens or Entry Regulation	4.3	3.7	3.5	3.4	3.6	4.4
Physical Infrastructure	6.6	6.4	5.8	5.1	4.8	6.6
Cultural and Social Norms	3.8	4.4	4.9	3.8	4.0	5.0

Sufficiency of financing for entrepreneurs (Global rank 39/50)

The sufficiency of financing for entrepreneurs has decreased year on year from 2016 (4.8) to 2021 (3.7). Compared to the 2021 GEM average of 4.5, this indicates that financing is less sufficient in general compared to other GEM participating countries. Sufficient liquidity is a major challenge for entrepreneurs in developing economies. Furthermore, given the sharp decrease from 2019, this figure might indicate capital retention behaviours due to perceived investment risk and the economic shock of the COVID-19 lockdown measures in South Africa.

Ease of access to financing for entrepreneurs (Global rank 46/50)

Compared to the 2021 GEM average of 4.4, South Africa scored a 3.4 rating. Since this is the first year this sub-condition is included, a clear trend cannot yet be ascertained. However, the measure indicates that it is more difficult for entrepreneurs in South Africa to acquire financing than it is to acquire in GEM participating countries in general.

Government policies: Support and relevance (Global rank 38/50)

Regarding Government policies: Support and relevance, from 2017 to 2019, South Africa saw a full point decrease from 4.5 to 3.5. This drop coincides with the policy shift towards the COVID-19 pandemic and

the subsequent enforcement of economic lockdown. Compared to the 2021 GEM average of 4.4, South Africa is a full point behind (3.4).

Government policies: Taxes and bureaucracy (Global rank 45/50)

Compared to the 2021 GEM average of 4.7, South Africa scored a 3.5 rating. Interestingly, taxation and bureaucracy recovered from 2.7 in 2019 to 3.5 in 2021. This indicates a perception of progress in the regulatory environment and, hopefully, an even better score will reflect in the 2022 figures for this framework condition.

Government entrepreneurial programmes (Global rank 45/50)

Although South Africa scored 3.1 for 2021, which measures well below the GEM average of 4.7. The availability, access to, and effectiveness of government entrepreneurial programmes all need improvement.

Entrepreneurial education at school stages (Global rank 30/50)

This score of 2.7 in 2021 remains lower than the 2021 GEM average of 3.0. Considering all GEM participating countries, this EFC has the lowest score, indicating that this is a global problem and this framework condition needs strengthening across all economies. It is known that the South African schooling system in general needs attention and improvement, and the potential benefits of introducing more entrepreneurial education may have a positive medium to long term impact.

Entrepreneurial education at post-school stages (Global rank 46/50)

Compared to the 2021 GEM average of 4.6, South Africa scored a full point lower again. South Africa has seen a decline in its score from 4.7 in 2015 to 3.6 in 2021. Due to some restrictions in access to technology and networking opportunities facilitated at the institutional level, the practical connections between investors, financing institutions, students, and government have been undermined. Again, just as in the case of entrepreneurial education at the school level, improvement and development in this EFC may have a positive medium to long term impact.

Research and Development transfer (Global rank 32/50)

The downward trend in research and development transfer from 2015 (3.8) to 2017 (3.1) has increased to 3.4 (2021). Compared to the 2021 GEM average of 4.0, which is also below average, South Africa is still underperforming but with a slight upward trajectory. Many studies have pointed out the benefits of technology and innovation to entrepreneurs and businesses, and a key to improving this is through sufficient research and development investment.

Commercial and legal infrastructure (Global rank 42/50)

Compared to the 2021 GEM average of 5.4, South Africa scored a 4.9 rating. This was the only EFC almost equal to the average of 5. Again, this EFC showed a downward trend from 5.4 in 2015 to the current 4.9.

Internal market dynamics (Global rank 35/50)

Compared to the 2021 GEM average of 5.1, South Africa scored a lower 4.5 rating. This is down from 5.9 in 2017. Internal market dynamics relate to how quickly the market changes for consumer goods and services and also for business-to-business goods and services.

Internal market burdens or entry regulation (Global rank 41/50)

Compared to the 2021 GEM average of 4.4, South Africa scored a 3.6, which is well below the average of 5 and below the global average. When analysing the trend, it decreased from its highest score in 2015 (4.3) to the lowest in 2019 (3.4) but has started to improve slightly in 2021. This indicated that there had been a decline in how entry into new markets, especially the cost and red tape, are perceived by industry experts. For businesses to start and grow, market access should be simplified. The reduction in this rate could also be linked to the high discontinuance rate.

Physical infrastructures (Global rank 49/50)

Infrastructure development has drastically declined from 2015 (6.6) to 2021 (4.8). Compared to the 2021 GEM average of 6.6, South Africa is underperforming and the trend is negative. This trend is concerning as it indicates a lack of maintenance and expansion. Considering the decline of local municipal support and infrastructure maintenance and the persistent electricity problem, it is not anticipated that this score will improve in the near future unless drastic steps are taken to improve and maintain the fast-deteriorating infrastructure. This has a negative impact on many businesses.

Cultural and social norms (Global rank 36/50)

Cultural and social norms grew from 2015 (3.8) until 2017 (4.9). However, a dramatic decline to 3.8 was experienced in 2019. Since then, this score has started its upwards trend again and now sits at 4.0 in 2021. Compared to the 2021 GEM average of 5.0, this figure is lower, however, the current trend is positive.

Table/Figure 3.3: Entrepreneurial Framework Conditions (13 Pillars): South Africa Overall Comparisons 2021

Entrepreneurial Framework Conditions	GEM	Low-income	Middle East & Africa	South Africa
Sufficiency of Financing for Entrepreneurs	4.5	3.7	4.7	3.7
Ease of Access to Financing for Entrepreneurs	4.4	3.7	4.4	3.4
Government Policies: Support and Relevance	4.4	3.6	4.4	3.4
Government Policies: Taxes and Bureaucracy	4.7	3.8	4.4	3.5
Government Entrepreneurial Programmes	4.7	3.6	4.2	3.1
Entrepreneurial Education at School Stage	3.0	2.3	2.9	2.7
Entrepreneurial Education at Post School Stage	4.6	4.4	4.4	3.6
R&D Transfer	4.0	2.9	3.8	3.4
Commercial and Legal Infrastructure	5.4	4.8	5.2	4.9
Internal Market Dynamics	5.1	5.0	5.6	4.5
Internal Market Burdens or Entry Regulation	4.4	3.7	4.1	3.6
Physical Infrastructure	6.6	5.8	6.2	4.8
Cultural and Social Norms	5.0	4.8	5.4	4.0



Figure 3.3 reflects the EFCs for the GEM global average, South Africa, other low-income countries and the Middle East and Africa region. The Middle East and Africa region scored a higher rate for all 13 EFCs. Low-income countries scored better than South Africa in all but three EFC categories: entrepreneurial education at the school level (2.3), R&D transfer (2.9), and commercial and legal infrastructure (4.8). South Africa scored lower in most EFCs than the low-income country average and all EFCs considering the GEM average. This indicates that South Africa has many more challenges, and it is tougher to be an entrepreneur in South Africa than in many other places in the world. Although South Africa has improved or remained constant in 9 out of the 13 framework conditions, there is still much room for improvement to move above the average of 5.

Regarding the GEM average figures, the Middle East and Africa region scores were similar with some minor variations. Sufficiency of financing for entrepreneurs (4.7) and internal market dynamics (5.6) scored slightly higher than the global average. Ease of access to financing for entrepreneurs (4.4) and government policies: support and relevance (4.4) were equal, while all others scored slightly below that of the global average.

South Africa has moved from 49th out of 54 countries in 2019 to 45th out of 50. South Africa has moved beyond Brazil and Belarus, which scored higher in 2019. However, the addition of Sudan and the Dominican Republic and the removal of Madagascar and North Macedonia renders the upward movement neutral.

In addition to the standard questions on the EFCs, experts were also asked additional questions related to special areas of interest, specifically on responses to the pandemic, progress and support for digitalisation, and support for women entrepreneurs.

The findings are indicated in **Tables 3.4 and 3.5**.

Table 3.4: Expert ratings of impacts of the pandemic on the entrepreneurial context

Topic CV: Some impacts of the pandemic on the entrepreneurial context In my country...	South Africa 2021	GEM Global 2021
CV1 a substantial number of new and growing firms can afford the cost of digitalisation required by the pandemic to become competitive enough	3,81	5,29
CV2 a substantial number of new and growing firms are promoting working from home as a result of the COVID-19 pandemic	6,97	7,14
CV3 due to the pandemic, there is sufficient government support in the form of specific subsidies, tax benefits or training to help all types of firms in all sectors to implement and/or adopt business digitalisation	3,36	4,69
Digitisation		
CV4 due to the pandemic, the gig economy has become an important driver for starting up new businesses	5,97	6,07
CV5 due to the pandemic, a substantial number of new and growing firms are adopting gig-based business models	6,1	6,05
Gig economy		
CV6 due to the pandemic, a substantial number of new and growing firms are prioritising protecting the environment above profitability or growth	3,62	3,96
CV7 as a result of the pandemic, the government has accelerated the 'green agenda', or specific environmental policy, taking effective measures to promote sustainability and environmental awareness among all firms	3,82	4,33
Sustainability		
CV8 the measures adopted by the government during the first 12 months of the pandemic has helped avoid a significant decline in the number of new and growing firms and associated jobs	2,81	5,05
CV9 the government is making effective decisions to control the health crisis while harming the economy as little as possible	3,97	5,17
Government response		

Overall, the South African averages are lower than those for GEM global, except for the adoption of gig-based business models (South Africa 6,1 and GEM global 6,05).

Digitisation: Work-from-home is a clear trend (6,97), and it is likely to continue in some iteration post the pandemic. The cost of digitisation is seen as somewhat unaffordable (3,81) with low government support for adoption (3,36).

Gig economy: The gig economy opportunities are a key driver for starting up new businesses in South Africa (5,97), and new and growing firms are rapidly adopting gig-based business models (6,1).

Sustainability: The protection of the environment is not really seen as more important than profitability among new and growing firms (3,62), and the government is not yet implementing sufficient measures to promote sustainability in the business sector (3,82).

Government response to the pandemic: The government response to support business continuance and save jobs is rated low (2,81), which is far lower than the GEM global average (5,05). Government efforts to balance the health response with saving the economy was rated higher (3,97), but this is again significantly lower than the GEM global average (5,17).

Table 3.5: Expert ratings of support for women's entrepreneurship

Topic P: Women's entrepreneurship In my country...	South Africa 2021	GEM Global 2021
P01 there are sufficient affordable support services (i.e., child-care, home services, after school programmes, elder care ...) so that women can continue to run their businesses even after they have started a family	3,78	4,12
P02 regulations for entrepreneurs are so favorable that women prefer becoming an entrepreneur instead of becoming an employee	2,47	3,3
P03 the national culture encourages women as equally as men to become self-employed or start a new business	4,03	4,45
P04 market and public procurement are equally accessible for men and women entrepreneurs	5,06	6,03
P05 access to financing is equally granted for men and women entrepreneurs	4,94	6,15
P06 as a result of the pandemic, the increase in teleworking has improved work-life balance for women	5,47	5,39

Overall, the South Africa averages are lower than those for GEM global, except for the improved work-life balance for women due to teleworking during the pandemic (South Africa 5,47, and GEM global 5,39).

Support services for women entrepreneurs: Affordable and sufficient support services for women who are entrepreneurs need to be improved in South Africa (3,78) and globally (4,12).

Regulation specifically for women entrepreneurs: Regulation needs to be strengthened to encourage the

option of entrepreneurship over regular employment if so chosen by women in South Africa (2,47) and globally (3,3).

National culture: The national culture to support women to become self-employed or start a new business (4,03), could be strengthened.

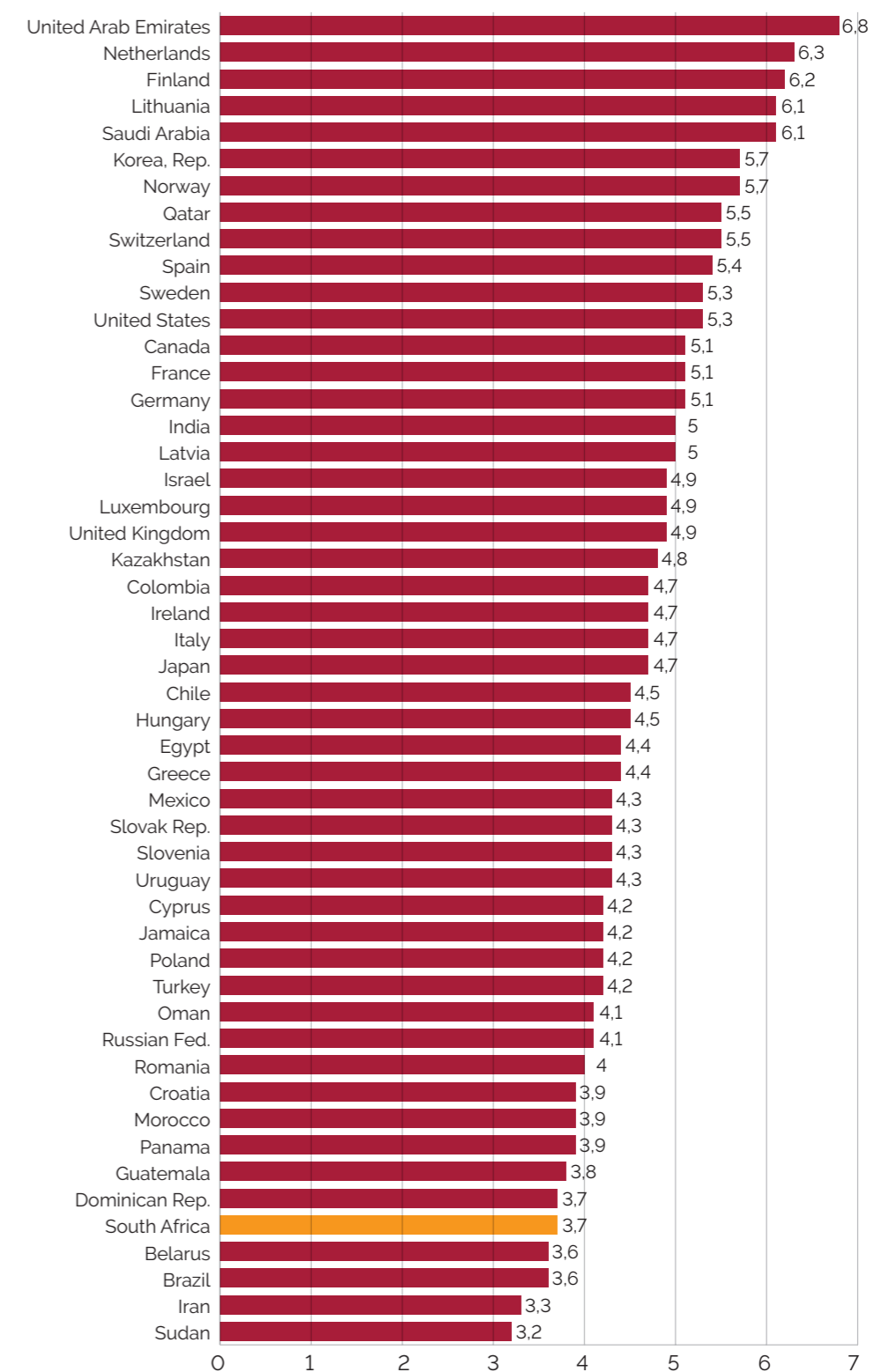
Market access and financing: Procurement and market access (5,06) and financing (4,94) for women entrepreneurs are below the global averages (6,03 and 6,15).

The National Entrepreneurial Context Index (NECI) 2021

About the NECI

In 2018, GEM introduced the National Entrepreneurial Context Index (NECI). The NECI intends to fill the gap in entrepreneurship literature by providing a single composite index 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. The NECI is the average of the pooled expert scores across the 13 framework conditions.

In essence, a country's NECI score indicates the ease with which its entrepreneurs can start and develop a business.

Figure 3.6: National Entrepreneurial Context Index (NECI)

Source: GEM National Expert Survey 2021

Figure 3.6 reflects the National Entrepreneurial Context Index (NECI) for all 50 participating countries, ranked from best to worst-performing.

Considering the top five performing countries, the United Arab Emirates scored the highest (6,8), followed by the Netherlands (6,3), Finland (6,2), Lithuania (6,1), and Saudi Arabia (6,1), all scoring above 6. These countries are level A economies, except for Lithuania, a level B economy.

South Africa ranked 45th with a score of 3,7. The five countries just outperforming South Africa include Guatemala – level C economy (3,8), Panama – level B economy (3,9), Morocco – level C economy (3,9), Croatia – level B economy (3,9), and Romania – level B economy (4).

The five countries that are directly below South Africa and thus considered the lowest five NECI scoring countries were the Dominican Republic (3,7), Belarus (3,6), Brazil (3,6), Iran (3,3), and Sudan (3,2). All were level C economies, except Belarus (level B).

There is no doubt that the COVID-19 pandemic has negatively affected the entrepreneurial ecosystem in most countries. The direct impact would have differed from country to country, and some might even be in a lag regarding the impact. However, contrary to the negative impact, turbulent economic situations may provide the opportunity for new innovation and business ventures. Hence, not all countries would have necessarily reported a decline in their NECI scores due to the pandemic and improvements in the entrepreneurial ecosystem may even have been noticed.

Of the 33 economies that consistently participated in the GEM NES for the last three years (2019, 2020 and 2021), six countries' scores increased yearly. The largest increases were in Saudi Arabia (from 5,0 in 2019 to 6,1 in 2021), the United Arab Emirates (from 5,8 to 6,8), and the Republic of Korea (from 5,1 to 5,7). There are just two economies whose NECI scores fell both years: Qatar (5,9 to 5,5) and Luxembourg (5,2 to 4,9). Interestingly, all five of these economies are classed as level A.³⁵ South Africa's NECI slightly improved from 3,63 (2019) to 3,7 (2021); however, there is still much room for improvement considering South Africa only ranked 45th out of the 50 participating economies.

At least four of the 13 Entrepreneurial Framework Conditions (EFCs) are the direct responsibility of the national government, and these are not the EFCs typically rated the highest by national experts. Each government has the ability to develop the conditions, policy frameworks and regulations for a more supportive environment for entrepreneurship, and not doing so directly impacts entrepreneurial activity and success. For example, entrepreneurship education at school level is consistently scored low by national experts. Improvements in entrepreneurship education in schools could be a relatively low-cost, high impact means of enhancing the entrepreneurial environment.³⁶

35 GEM (Global Entrepreneurship Monitor) (2022, p. 91). Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption. London: GEM.

36 Ibid.

In 2021, economies scoring the highest for government efforts to mitigate the impact of the pandemic on new startups or for supporting women entrepreneurs were also economies that have seen consistent and substantial improvements in their NECI scores in recent years. Similarly, those economies scoring the worst on these measures also tend to have high numbers of EFCs rated as insufficient.³⁷

Governments directly influence a country's economic policy and regulatory framework and indirectly influences its entrepreneurship activity trends. Governments are, however, not the only role player. The private sector, the education sector, incubators and other support services, financiers, and entrepreneurs collectively influence the shape and vitality of the national entrepreneurial ecosystem.

Revitalising the South African entrepreneurial ecosystem

Overview

It is clear from the 2021 NES and NECI findings that the South African entrepreneurial ecosystem requires focused attention and revitalisation. An integrated view on the entrepreneurial framework conditions is presented here, showing the current GEM ratings, why these conditions are important for entrepreneurship development, summarising their current status, and proposing key recommendations for strengthening the fundamentals (See **Tables 3.6 – 3.14**)

For context, it is important to briefly outline the prevailing systemic conditions that influence the current state of the South African entrepreneurial ecosystem.

The South African economy

South Africa has the most industrialised economy on the African continent. It is the second-largest economy (GDP) after Nigeria and is a leader in most sectors. However, the economy has consistently underperformed for more than a decade, with real gross domestic product (GDP) per capita declining since 2011.

The COVID-19 pandemic has had a devastating effect on economies and businesses worldwide, with a disproportional impact on micro and informal businesses.

Considering the full year of 2021, the South African economy expanded by 4,9%, the most in 14 years, recovering from a 6,4% decline in 2020.³⁸ Growth forecasts for the country in 2022 range from 1,6% to 1,9% and around 1,7% for the next two years. These growth forecasts for 2022 and beyond are conservative and too low, given South Africa's immense socio-economic challenges and the need for more robust, inclusive growth, powered by much higher public and private investment levels.³⁹

37 Ibid.

38 Source: Statistics South Africa.

39 Bulbulia, T. South African economic outlook uncertain, but possibly positive says Parsons. 2022, January 3. Retrieved from: <https://www.engineeringnews.co.za/article/south-african-economic-outlook-uncertain-but-possibly-positive-says-parsons-2022-01-03>

This continued sluggish growth will translate into limited job creation and could deepen the existing rifts caused by unemployment and financial inequality. South Africa needs to formulate policies that lead to an implementation-led economic recovery that steadily dismantles the structural obstacles to inclusive growth and job creation, thereby progressively raising the country's growth ceiling.⁴⁰

A significant investment in infrastructure in South Africa is central to the government's planned economic stimulus (as well as its economic and social objectives), with the capital expenditure driven by both the private and public sectors and in combination with each other.⁴¹ The fourth SA Investor Conference held in March 2021 showed that the country is well on track to achieve the government's five-year goal of R1,2 trillion in private sector fixed investment. In parallel, the Economic Reconstruction and Recovery Plan (ERRP) outlines the government's capex plans, including general government infrastructure investment over the next three years of R500 billion.⁴² The ERRP also commits a further R100 billion "over a decade from 2019/20 to the Infrastructure Fund to leverage private-sector and development finance, with R24 billion allocated over the 2022 MTEF period."⁴³

In addition, the National Investment Plan 2050 (or NIP2050) was launched in 2022, aligned with the National Development Plan (NDP) 2030, and with the purpose of providing a long-term infrastructure planning framework for South Africa.

Together these national plans should strengthen longer-term growth and improve socio-economic conditions if successful. However, South Africa remains at risk from global geo-political events and from a stagflationary environment in the short term.⁴⁴ A further risk to growth is the array of daunting challenges endemic to South African society at large.

Unemployment and economic participation

The official unemployment rate increased by 0,4 of a percentage point to 35,3% in the fourth quarter of 2021, the highest since the start of the Quarterly Labour Force Survey (QLFS) in 2008. The expanded unemployment rate includes discouraged work-seekers who have given up looking for work and fell by 0,4 of a percentage point to 46,2%. The number of employed persons increased by 262 000 to 14,5 million, while the number of unemployed persons also increased by 278 000 to 7,9 million. Formal sector employment increased by 143 000 jobs, while the informal sector shed 48 000 jobs.⁴⁵

The youth unemployment rate (youth aged 15 to 24) in South Africa has reached a critical level and remained unchanged at 66,5% in the fourth quarter of 2021. South

40 Ibid.

41 Bishop, A. 2022, 24 March. Fourth SA Investment Conference highlights continuing positive sentiment. Retrieved from: https://www.investec.com/en_za/focus/economy/sa-economics.html

42 Ibid.

43 Ibid.

44 Ibid.

45 Statistics South Africa Quarterly Labour Force Survey, Quarter 4: 2021, 29 March 2022. Retrieved from: <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2021.pdf>

Africa currently has the highest youth unemployment rate globally. This problem is evident in many other economies and was exacerbated by the pandemic.

Of the 7,9 million unemployed persons in the fourth quarter of 2021, as many as 51,6% had education levels below matric (Grade 12), followed by those with matric at 38,6%. Only 2,4% of unemployed persons were graduates, while 6,9% had other tertiary qualifications as their highest level of education.⁴⁶

Furthermore, there were about 10,2 million young people aged 15–24 years in the fourth quarter of 2021, of which 32,8% were not in employment, education, or training (NEET). This is 3,0 percentage points higher than in the fourth quarter of 2020. The NEET rate for women was higher than for men in both years. The NEET rate for young persons aged 15–34 increased by 2,9 percentage points from 41,8% to 44,7% (out of 20,6 million) in the fourth quarter of 2021. In the fourth quarter of both 2020 and 2021, more than four in every ten young men and women were not in employment, education or training.⁴⁷

The unemployment rate will likely remain structurally high in the short term as the economy is still facing many long term challenges that will continue to stall job growth.

Although clear backward and forward linkages between entrepreneurial activity and employment have been found, some studies suggest that other exogenous factors also play a role. Entrepreneurial activity positively affects labour market conditions and employment levels, albeit minor in some cases. Extraordinarily high unemployment and specifically high youth unemployment levels may have a negative or temporary short-lived effect on entrepreneurial activity and the ecosystem.

Crime and the impact on entrepreneurial activity

Serious and violent crime in South Africa has reached alarming levels and significantly impacts all spheres of society.

Crime and lawlessness negatively affect private sector investment, which is a critical component of economic growth, and by implication, also affects the propensity for entrepreneurial engagement and continuation.

The World Bank,⁴⁸ in a study on South African businesses and the impact of crime, reported the negative effect on return on investment for businesses. A study by Kahn⁴⁹ in the US found that crime reduces the ability of small businesses to survive

46 Ibid.

47 Ibid.

48 World Bank. Investment Climate Reforms An Independent Evaluation of World Bank Group Support to Reforms of Business Regulations. Washington DC: World Bank; 2015. Retrieved from: <https://documents1.worldbank.org/curated/en/989551468334811535/Investment-climate-reform-An-independent-evaluation-of-World-Bank-Group-support-to-reforms-of-business-regulations.pdf>

49 Kahn ME. 2010. New Evidence on Trends in the Cost of Urban Agglomeration. In: Agglomeration Economics [Internet]. University of Chicago Press; p. 339–54. Retrieved from: <https://www.nber.org/books-and-chapters/agglomeration-economics/new-evidence-trends-cost-urban-agglomeration>

and retain highly skilled employees, leading to lower productivity. Another study in the US by Rosenthal and Ross⁵⁰ indicates a reduction in the number of startup businesses, specifically restaurants. To start a new business in an area where high levels of crime exist is challenging and high risk for survival.

Mahofa, Sundaram and Edwards⁵¹ studied the impact of crime on entrepreneurship and firm entry in South Africa. The findings from this study indicate, among others, that increased crime rates significantly reduce new business creation and business development. This situation leads to lower levels of competition which is needed for improved productivity, economic growth, and employment in local regions.

The following selected crime statistics, derived from the SAPS crime statistical release from 2006 to 2021, illustrate trends in business-related crime activities.⁵² Robberies at banks and cash transit heists are on the decline, but the number of incidents remains high. Street safety is critical for small business development, and certain lower-income informal business areas are not safe for customers. Robberies and burglaries at non-residential areas such as businesses have increased, and as a result, the security and insurance of business premises are essential and costly. Commercial crimes increased to a staggering 81 700 in 2021; this situation contributes to business failures. Stock theft and shoplifting also affect the establishment and development of small businesses. Lastly, malicious property damage is a major problem indicating high levels of lawlessness. Although this trend has been downward since 2006, South Africa experienced violent civil unrest, mainly in parts of the provinces of KwaZulu-Natal and Gauteng, from 8 to 17 July 2021. This resulted in looting, property destruction, and economic activity disruption. Thousands of people were injured, an estimated 354 people died, and over R50 billion was lost to the economy.⁵³

The current crime scenario in South Africa poses a potential danger to individuals, negatively affects profits, and leads to low entrepreneurship propensity and business discontinuance.

This brief overview of crime in the country would not be complete without a reference to crime and corruption and the phenomenon of state capture, a term first used

50 Rosenthal S, Ross A. 2010. Violent crime, entrepreneurship, & cities. *Journal of Urban Economics*. 67(1):135–49. Retrieved from: https://econpapers.repec.org/article/eejuecon/v_3a67_3ay_3a2010_3ai_3a1_3ap_3a135-149.htm

51 Mahofa G, Sundaram A & Edwards L. 2016. Impact of crime on firm entry: evidence from South Africa. *Economic Research Southern Africa*. Retrieved from: https://www.econrsa.org/system/files/publications/working_papers/working_paper_652.pdf

52 Quantec. SAPS crime statistics. 2021. Retrieved from: <https://www.quantec.co.za/easydata/regional-subscription/whats-included/>

53 Report of the Expert Panel into the July 2021 Civil Unrest, 29 November 2021. Retrieved from: [Report%20of%20the%20Expert%20Panel%20into%20the%20July%202021%20Civil%20Unrest.pdf](https://www.iza.org/publications/papers/11444)

by the World Bank.⁵⁴ Corruption has deep historical roots in South Africa and has become rampant and almost blatant over the past decade. Fraud and corruption cost the South African economy billions annually, and its impact is felt well beyond the fiscus.

State capture is a type of systemic political corruption in which private interests (from the public and/or private sector) significantly influence a state's decision-making processes to their own advantage. The Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including Organs of States, was established by way of a Proclamation that was published in the Government Gazette on 23 January 2018.

The enquiry is now concluded, and it is envisaged that those implicated in corruption will be further investigated. The proposed enactment of a 'national charter' against corruption in South Africa may usher in a new era for South African civil society.

Entrepreneurship contribution to society

The relationship between a country's overall economic health and the level of entrepreneurship activity is important. Productive entrepreneurs potentially contribute to GDP, job creation, innovation, and social cohesion. As indicated in Section 2, the type of entrepreneurship required in South Africa should demonstrate the characteristics of tangible economic value at scale while at the same time having an impact on society; demonstrate innovation and new business models, products, and services; and unlock multiplier effects including creating employment. Importantly, entrepreneurs can be critical agents in economic development across geographical locations, nationally, regionally and at the local level within any one country.

In summary, some of the many advantages that entrepreneurs may bring to an economy include:

1. Contributing to economic growth by introducing innovative technologies, products, and services.
2. Introducing increased competition that may cause existing firms to become more competitive.
3. Increasing the productivity of (existing) businesses.
4. Accelerating structural change by replacing established, rigid, and unresponsive businesses that have lost the ability to adapt.
5. Providing new job opportunities in the short and long term.⁵⁵

54 Fiebelkorn, A. State Capture Analysis: How to Quantitatively Analyze the Regulatory Abuse by Business-State Relationships. Discussion Paper, Governance Global Practice. 2019, June. Retrieved from: <https://documents1.worldbank.org/curated/en/785311576571172286/pdf/State-Capture-Analysis-How-to-Quantitatively-Analyze-the-Regulatory-Abuse-by-Business-State-Relationships.pdf>

55 Kritikos, A.S. 2014. Entrepreneurs and their impact on jobs and economic growth. *IZA World of Labor*. Retrieved from: <https://wol.iza.org/articles/entrepreneurs-and-their-impact-on-jobs-and-economic-growth/long>

Entrepreneurship can also contribute to South Africa's 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.

Successful entrepreneurial activity in South Africa could contribute to the following SDGs:

- SDG 1: **No Poverty** – end extreme poverty in all forms.
- SDG 5: **Gender Equality** – achieve gender equality and empower all women and girls.
- SDG 8: **Decent Work and Economic Growth** – promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.
- SDG 10: **Reduce Inequalities** – reduce inequality within and among countries.

In addition, there are emerging trends toward social entrepreneurship (entrepreneurship focused on solving pressing social challenges and making a difference in the world); and sustainability-orientated entrepreneurship (entrepreneurs that focus on sustainability solutions and/or that implement business practices that are sustainability-orientated). Collectively, these entrepreneurs could contribute to the SDGs listed above but also to others, for example, good health and well-being (SDG 3), quality education (SDG 4), and climate action (SDG 13).

For entrepreneurs to meaningfully contribute to economic growth and societal development, they need to be able to operate in a flexible and enabling environment where the entrepreneurial ecosystem favours business startup, growth, and sustainability.

Environments with unstable political systems, high regulatory barriers, cumbersome compliance, substandard and unreliable infrastructure, outdated technology, and limited talent will not attract new entrepreneurs nor financial capital. Such unfavourable conditions translate into weak entrepreneurial ecosystems that will likely discourage potential new entrants, limit existing enterprise potential, and even lead to unnecessary business exits.

Fostering entrepreneurial ecosystem vitality

An integrated view on each of the entrepreneurial framework conditions is presented in **Tables 3.6 – 3.7**, showing the current GEM ratings, why these conditions are important for entrepreneurship development, summarising their current status, and providing a future outlook.

Table 3.6: Entrepreneurial finance review

Entrepreneurial Framework Conditions

[GEM SA 2021 Score out of 10]

A1 and 2: Finance: sufficient funds for entrepreneurs (3,7) and ease of access to finance (3,4)

Relevance	<p>Entrepreneurial finance covers both the sufficient availability of finance to invest in the economy, as well as how easy or difficult it is to access finance for entrepreneurship.</p> <p>However, funding is not the only determining factor for entrepreneurial success, and many business ventures fail despite having access to funding.</p>
Current reality	<p>The availability of sufficient funding is perceived to have declined from 2016 (4,8) to 2021 (3,7). The GEM global rating was 4,5 in 2021. The ease of access to finance scored 3,4 in 2021 (new measure), which is lower compared to the GEM global average of 4,5.</p> <p>Entrepreneurs access finance from various sources, including their own funds or borrowings, family and friends, bank lending, micro-finance organisations, angel investors, venture capital, government loans, grants or blended finance, and crowdfunding.</p> <p>The findings in 2021 revealed that bank lending and venture capital are the most likely sources of funding and that it is more difficult for nascent entrepreneurs to access seed funding than it is to access funding for growth once the startup phase is completed.</p> <p>Funding is a universal challenge among entrepreneurs. The dilemma is not necessarily only that the investment funding for new and growing ventures is limited and competitive. There is also an understandable tension between entrepreneurial ideas, commensurate funding appetite, and perceived risk.</p>

Future outlook

Finance Minister Enoch Godongwana, in his 2022 budget speech on 23 February 2022, announced the bounce-back scheme to support SMEs, specifically businesses in distress owing to the COVID-19 pandemic.⁵⁶ Firstly, this involves small business loan guarantees of R15 billion facilitated through participating banks and development finance institutions as well as allowing access for qualifying non-bank small and medium loan providers. Government will partner with loan providers by underwriting the first 20% of losses. The eligibility criteria, including the requirement for collateral, have been loosened. Secondly, a business equity-linked loan guarantee support mechanism facilitated through Development Finance Institutions (DFIs) and also available to qualifying non-bank small and medium finance providers. The intention is a total support package through the bounce-back scheme of R20 billion. Implementation details are not yet fully provided.

Government involvement is critical for new enterprise financing. A successful and sustainable SMME sector will impact economic growth, and private sector funding is likely to remain more risk averse in early-stage entrepreneurship and is more likely to fund enterprise growth.

A further positive announcement is the expansion of the employment tax incentive through a 50% increase in the maximum monthly value to R1 500, which applies to all registered businesses.

Together with non-bank financial services, the banks are rapidly implementing digital banking, creating both convenience and accessibility, and driving product and channel innovation. Digital banking platforms for businesses improve the ease of doing business and applying for finance. Other examples of innovation include the establishment of digital marketplaces to connect service providers to clients, contactless payments for SMMEs in partnership with third parties, and flexible client denominated pay-as-you-earn business loans.

What does not appear to have changed is the qualifying criteria for business loans. The financial services sector at large needs to find creative ways to think about collateral, credit ratings, and risk. Given the 'big data' at the bank's disposal, and digitisation driving banking services uptake from all sectors, more creative loan criteria should be in the pipeline.

Overall, the banks should scale up on SMME lending as part of their overall business portfolio lending.

A tax incentive was created in 2008 through Section 12J of the Income Tax Act 1962 with the purpose of stimulating economic growth and creating jobs. The tax deduction provided investors with a 100% write-off for their investment in the relevant year. It was not extended beyond its sunset date of 30 June 2021. One of Treasury's primary objections was that most investments supported by the incentive were "low-risk" or "guaranteed-return ventures" that would have been able to attract funding even without the incentive.⁵⁷

A reformulation, or an alternative incentive package, remains important to attract private investment at scale for new venture creation and development.

56 Minister Enoch Godongwana: 2022 Budget Speech. 2022, 23 February. Retrieved from: <https://www.gov.za/speeches/minister-enoch-godongwana-2022-budget-speech-23-feb-2022-0000>

57 Zuccollo, D. 2021, 25 February. Budget 2021: Treasury's decision to cancel S12J investments 'throwing the baby out with the bathwater'. Retrieved from: <https://www.b2bcentral.co.za/budget-2021-treasurys-12j-decision-will-accelerate-capital-flight-and-harm-smmes/>

Table 3.7: Government policies review

Entrepreneurial Framework Conditions

[GEM SA 2021 Score out of 10]

B1 and 2: Government policies: applicability and support (3,4) and taxes and bureaucracy (3,5)

Relevance	<p>This framework deals with the appropriateness of policy and regulatory burdens on entrepreneurship development.</p> <p>Policy and governance can either play a supporting role or be a stumbling block for entrepreneurship ecosystem development. As an essential component of the ecosystem, national and local policy and legislation impact entrepreneurial activities.⁵⁸ The link between clear policy certainty, good governance, an enabling legislation environment, and entrepreneurship density have been proven in many studies. Policy uncertainty leads to adverse economic outcomes and a reduction in market demands and business opportunities. Stable and logical economic policy are necessary for a favourable entrepreneurial ecosystem.⁵⁹ On the other hand, some uncertainty could lead to disruption opportunities and the economy's move to a new equilibrium.⁶⁰ Policy uncertainty impacts business opportunities, including entrepreneurial investments.⁶¹</p>
Current reality	<p>Government policy and support (3,4) require strengthening and have been rated lower year-on-year since 2016 (5,3). Policy burdens (3,5) show an improvement from 2017 (2,7).</p> <p>Overall, the government dealt relatively well with containing the COVID-19 pandemic. Responses are mixed on the support to businesses during this time. Lockdowns, although necessary, were protracted, impacting many businesses. Financial support was provided and welcomed but considered inadequate overall. Application processing was inefficient (as are all application processes for business support), and some sectors were not supported.</p> <p>Regarding policy and regulation, the following aspects are considered inappropriate and burdensome: company registration processes and compliance, tax on smaller enterprises, labour law and regulatory stipulations on hiring and removing employees and wage determination, various municipal by-laws affecting small business development, and land use management. Then there are some that still view the Employment Equity Act and Broad-Based Black Economic Empowerment Act as hindrances. These both may not always be implemented as intended, but they are and will remain necessary for achieving the ideal of an inclusive economy in South Africa.</p>
Future outlook	<p>Policies and legislation should generally create an enabling environment for entrepreneurs, and SMMEs to succeed, grow, and create employment. The policy environment influences decisions to start a new enterprise, invest in growth and shut it down.</p> <p>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. In the 2021 State of the Nation Address (SONA), President Ramaphosa stated that the government does not create jobs and that creating employment is the function of the private sector, specifically the small and medium businesses driven by entrepreneurs.⁶² Furthermore, the key task of government is to create the conditions that will enable the private sector, both big and small, to grow, access new markets, create new products, and hire more employees. This was a decisive shift in policy direction, as in the past, the government has promised millions of jobs and has failed to achieve the targets set for itself over the last two decades.</p>

58 Caggiano, G., Castelnuovo, E., & Figueres, J. M. 2017. Economic policy uncertainty and unemployment in the United States: A nonlinear approach. *Economics Letters*, 151, 31–34.

59 Torvik, R. 2002. Natural resources, rent-seeking and welfare. *Journal of Development Economics*, 67(2), 455–470.

60 Strobel, J., Salyer Kevin, D., & Lee Gabriel, S. 2018. Uncertainty, agency costs and investment behavior in the Euro area and in the USA. *Journal of Asian Business and Economic Studies*, 25(1), 122–143.

61 Drobetz, W., El Ghouli, S., Guedhami, O., & Janzen, M. (2018). Policy uncertainty, investment, and the cost of capital. *Journal of Financial Stability*, 39, 28–45.

62 The State of the Nation Address by President Cyril Ramaphosa, Cape Town City Hall, 10 February 2022. Retrieved from: <https://www.stateofthenation.gov.za/assets/downloads/SONA-2022-SPEECH.pdf>

Future outlook (continued)

The President commented that the government would undertake far-reaching measures to unleash the potential of small and micro businesses in the coming year. These are the businesses that create the most jobs and provide the most opportunities for poor people to earn a living.⁶³

Other relevant developments and initiatives outlined during his speech were: (1) discussions with social partners as part of the social compact process to review labour market regulations for smaller businesses enabling them to hire more people while protecting workers' rights; (2) a new and redesigned loan guarantee scheme to enable small businesses to bounce back from the pandemic and civil unrest; (3) a review of the Business Act (for ease of doing business in general), and to reduce the regulatory burden on SMMEs, including informal businesses; and (4) improving the business environment for companies of all sizes through dedicated capacity in the Presidency to reduce 'red tape' across government, identify priority reforms for the year ahead, and to ensure government departments pay suppliers within the required 30 days.⁶⁴

An interesting development over the past year or so is the 'South Africa Startup Act' position paper, developed voluntarily by stakeholders in the technology and innovation domain.⁶⁵ The merits of such an 'Act' and how it would be introduced (stand-alone or within existing legislation) are likely to have both supporters and antagonists. However, it does raise very important considerations for igniting entrepreneurship, specifically for high-growth startups.

Its position is that high growth startups can compete internationally, grow rapidly, provide more jobs than others, and make a real impact - providing the prevailing ecosystem has the right characteristics.

The paper raises the important issues of legal definitions for size and type of enterprises and business ecosystems, the harmonisation of policies and regulations governing small enterprises and startups, and key interventions for qualifying startups with the potential to become high-growth firms. It also deals with the challenges of intellectual property transfer, the barriers to foreign investment in exciting new startups, and the importance of both for creating attractive startup ecosystem hubs in South Africa.

The proposed 'Act' has been criticised as it calls for special treatment to enable a more flexible employment regime (ability to appoint and dismiss without fear of CCMA penalties) and for automatic BBB-EE exemptions for the purposes of procurement and supply chain access in the private and public sectors.⁶⁶

The SMMEs sector, as an important driver of economic growth, and micro and small enterprises are critically important for livelihoods at a household level. Small businesses in 2013 generated 16% of total turnover in the formal business sector, expanding to 22% in 2019. The contribution of large businesses waned over the same period, from 75% to 68%.⁶⁷ According to the International Finance Corporation (IFC) of the World Bank, small enterprises employ between 50% and 60% of South Africa's workforce and contribute around 34% of GDP.⁶⁸ Accurate data on the small business sector is a challenge in itself.

There is clearly a need going forward to allocate increased funding for research on startup businesses, small business development, and on the economic contribution of the informal sector in South Africa.

Research could include the stumbling blocks and barriers for starting and growing businesses, including at the regional and local levels, in order to attract investment and stimulate localised economic activity.

63 Ibid.

64 Ibid.

65 South Africa Startup Act Position Paper, updated September 2021. Retrieved from: https://www.startupact.co.za/_files/ugd/2757ac_3a524309c4d24d17984f3a046fed89d6.pdf

66 Diphoko, W. 2021, September 19. SA Startup Act: Calls for BBB-EE to be scrapped for startups

67 StatsSA. Three facts about small business turnover in South Africa. Retrieved from: <https://www.statssa.gov.za/?p=13900>

68 The Unseen Sector: A Report on the MSME Opportunity in South Africa. 2022. Retrieved from: https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/resources/msme-opportunity-south-africa

Table 3.8: Government entrepreneurial programme review

Entrepreneurial Framework Conditions

[GEM SA 2021 Score out of 10]

C. Government entrepreneurial programmes (3,1)

Relevance	<p>Government entrepreneurial programmes cover the number and effectiveness of programmes, availability of information, their accessibility, how effective they are, and the competency of government staff involved in these programmes.</p> <p>Starting a new enterprise is challenging and requires registration and licensing, compliance with other regulatory requirements, and planning. Support, advice, and access to networks can make a big difference. Support is also valuable for growing an existing enterprise and accessing finance.</p>
Current reality	<p>The overall rating for government programmes has remained consistent between 2015 (3,3) and 2021 (3,1). The GEM global score was (4,7) in 2021.</p> <p>Access to relevant information, single agency contact for support, and the level of competence of government representatives are key areas for improvement.</p> <p>Over the past two decades, the South African Government has introduced many programmes to promote entrepreneurship development. The average expert ratings of how well these programmes have been implemented and how effective they are suggest a low return on effort and investment.</p>
Future outlook	<p>There are various institutions and organisations across the public and private sectors that provide support to entrepreneurs.</p> <p>Attention to creating greater levels of awareness about government programmes in the 1-24 years age group and in provinces outside of Gauteng, the Western Cape and Kwa-Zulu Natal is required.</p> <p>Government-led entrepreneurial support should be evaluated at a national level, measuring the impact of support initiatives among stakeholders.</p> <p>Overall, there needs to be better public sector coordination of entrepreneurship support programmes, and the Department of Small Business Development, and its agencies, are best positioned to fulfil this role.</p>

Table 3.9: Entrepreneurship education review**Entrepreneurial Framework Conditions**

[GEM SA 2021 Score out of 10]

D1 and 2: Entrepreneurship education at school (2,7) and post-school (3,6) stages

Relevance	<p>Higher levels of educational attainment have been associated with higher levels of entrepreneurial activity, but this is not conclusive. Graduates are more likely than non-graduates to start their own businesses in 36 of the 50 GEM economies in 2021.⁶⁹</p> <p>Education plays a significant role in establishing foundation skills such as reading, writing, and computation. It is also critically important for cognition (i.e., paying attention and memorising, reasoning, processing information, and critical thinking skills. Higher education levels could potentially also lead to higher levels of self-confidence, risk-taking propensity, opportunity identification, and technology expertise which are all critical aspects of the entrepreneurial process.⁷⁰</p>
Current reality	<p>Entrepreneurship education at school level was rated last of all entrepreneurial framework conditions in 39 of the 50 GEM participating economies in 2021, including South Africa.</p> <p>Although there has been a rapid expansion in access to education and increased enrolment in recent decades, school-level education in South Africa remains inefficient, delivering very little at the output level (retention, pass rates, and transition to tertiary education). Most children are not taught in their mother tongue during the foundation phase, which potentially has a negative impact on critical thinking and literacy skills.⁷¹ Overall, the quality of school education remains relatively poor, primarily due to South Africa having one of the most unequal schooling systems globally. It is estimated that the top 200 schools achieve more mathematic distinctions than children in the next 6 600 schools combined.⁷²</p> <p>Although economics, business management, and accounting are learning subjects at the secondary school level, there is no focus on entrepreneurship.</p>
Future outlook	<p>The education system needs to deliver the types of capabilities required for a rapidly evolving world of work. School-level education is the foundation for this. The quality of talent in an economy is a key consideration for long-term investment in South Africa and new enterprise development.</p> <p>Teaching in primary and secondary education needs to encourage creativity, self-sufficiency, personal initiative, and analytical skills. There needs to be an urgent reversal of the 'dumbing down' of school curricula, specifically for maths and science.</p> <p>Entrepreneurial education and the development of entrepreneurial knowledge and skill need to be featured at the school stage (the earlier, the better). Should this happen, educators are to be equipped to prepare the youth for the possibility of entrepreneurship as a career and life choice. In 2021, the Department of Basic Education proposed three new subjects: Kiswahili, Entrepreneurship, and Robotics and Coding. Robotics and coding will now form part of the 2023 curriculum for younger grades and be gradually introduced to higher grades. Entrepreneurship as a subject will seemingly not feature for now.</p> <p>Entrepreneurship education post-school (colleges and universities) is already somewhat embedded. Entrepreneurship should be a core course at all business schools and a cross-cutting core course across all faculties at the undergraduate level. The same approach is proposed for colleges providing technical vocations and artisan trades.</p> <p>Greater interaction with industry sectors, for both school and post-school stages of education, is good practice for learning, alignment, and network participation.</p>

69 GEM (Global Entrepreneurship Monitor) (2022, p. 63). Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption. London: GEM.

70 Jiménez A, Palmero-Cámara C, González-Santos MJ, González-Bernal J, Jiménez-Eguizabal JA. The impact of educational levels on formal and informal entrepreneurship. BRQ Business Research Quarterly [Internet]. 2015 Jul 1. Retrieved from: <https://www.sciencedirect.com/science/article/pii/S2340943615000213>

71 Savage C. Importance of mother tongue in education [Internet]. Independent Education Today. 2019]. Retrieved from: <https://ie-today.co.uk/comment/the-importance-of-mother-tongue-in-education/>

72 Amnesty International. South Africa's broken and unequal education laid bare [Internet]. Amnesty International. 2020. Retrieved from: <https://www.amnesty.org/en/latest/news/2020/02/south-africa-broken-and-unequal-education-perpetuating-poverty-and-inequality/>

Table 3.10: Entrepreneurship research and development review**Entrepreneurial Framework Conditions**

[GEM SA 2021 Score out of 10]

E: Research and development transfers (innovation) (3,4)

Relevance	<p>This framework condition covers research and development and knowledge commercialisation from universities and public research to new and growing firms, the affordability of the latest technology, the creation of technology and innovation-based ventures, and government subsidies and support.</p> <p>Businesses that do not innovate and improve their processes risk stagnating and losing their competitive advantage. Likewise, entrepreneurial activity requires innovation to compete and progress between different growth phases.</p> <p>The exploitation of technological innovation and subsequent digital transformation provides numerous business opportunities, positively affecting the entrepreneurial ecosystem. This advantage and importance of knowledge creation and its connection to entrepreneurship and innovation is not a new concept and was famously proffered by Schumpeter and other prominent economists.</p>
Current reality	<p>The South Africa score on this framework condition (3,4) is below average. Worldwide, economies and industries have embraced the technological advancements and changes associated with the 4IR.</p> <p>South Africa's Science, Technology, and Innovation (STI) status, according to the latest Global Innovation Index (GII) data, ranked 61 out of 132 economies in 2021.⁷³ South Africa also performed poorly in turning innovation inputs into outputs. The Gross Domestic Expenditure on R&D (GERD) as a percentage of GDP is considerably lower (0,83%) than the 1,5% government-set target.⁷⁴ According to the OECD, the main reasons for poor STI performance could be attributed to an inadequately and fragmented co-ordinated science and technology system, the deterioration of innovative capacity (partly due to innovation brain drain), poor knowledge and technology movements from science-based institutions into industry, insufficient regional and global networking, and unacceptable low levels of research and development investment.⁷⁵</p>
Future outlook	<p>It is clear that South Africa needs a much higher level of investment in research and development in order to accelerate and support innovation. Innovation is important for developing new products, services and business models that can make the economy globally competitive. Targeted innovation is also required to address the country's many pressing socio-economic challenges.</p> <p>Universities, other public research institutions, and private sector industry value chains need to become more accessible and purposefully reach out to new and growing firms for participation in new innovation opportunities.</p> <p>Young entrepreneurs and innovation-driven startups need access to often expensive technologies and require access to government subsidies and support and preferential lending rates or creative financial instruments from the financial services sector and private investors.</p> <p>Early-stage capacity building at the school level, starting with much better maths and science competence, access and exposure to new technologies, and creative thinking and problem-solving skills, are prerequisites for achieving higher levels of innovation in the longer term.</p>

73 WIPO. Global Innovation Index 2021: South Africa. 2021. Retrieved from: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/viewer.html?pdfurl=https%3A%2F%2Fwww.wipo.int%2Fedocs%2Fpubdocs%2Fen%2Fwipo_pub_gii_2021%2Fza.pdf&clen=1960408&chunk=true

74 South African Department of Science & Innovation. South Africa presents report on strength and weaknesses of the country's science technology and innovation domain. Science|Business. 2020]. Retrieved from: <https://sciencebusiness.net/network-updates/south-africa-presents-report-strength-and-weaknesses-countrys-science-technology>

75 OECD. Science, technology and innovation: Recent policy development in South Africa. Organisation for Economic Co-operation and Development. Retrieved from: <http://www.oecd.org/science/inno/2112129.pdf>

Table 3.11: Commercial and legal infrastructure review**Entrepreneurial Framework Conditions**

[GEM SA 2021 Score out of 10]

F: Commercial and legal infrastructure (4,9)

Relevance	<p>The commercial framework condition covers the availability and costs of suppliers, contractors, consultants, professional legal and accounting services, banking services and cloud computing services.</p> <p>These important support services provide the baseline for professionalising new and established businesses.</p>
Current reality	Commercial and related services are well established in South Africa and score highest of all the framework conditions in 2021 (4,9), with the GEM global average at 5,4. The average score for South Africa was 5,7 in 2016.
Future outlook	The key challenge here is cost and not supply or quality. Industry bodies could be lobbied for a professional services preferential rate dispensation for new and developing enterprises, provided they continue to use their services for a set period or alternative arrangements. The same approach could be made to cloud computing and other digital service providers.

Table 3.12: Internal market dynamics review**Entrepreneurial Framework Conditions**

[GEM SA 2021 Score out of 10]

G1 and 2: Internal market dynamics (4,5) and market openness and entry (3,6)

Relevance	<p>Market dynamics include changes in consumer and business-to-business markets year on year, market barriers, and the legislative support for fair competition.</p> <p>Market demand, together with ease of entry and fair competition, are fundamental to the viability of new and growing enterprises.</p> <p>Businesses cannot exist without attributable markets.</p>
Current reality	<p>Internal market dynamics average score was 4,5 and has decreased from 2017 (5,9), while market openness (3,6) has remained similar. The global average for 2021 was 5,1 and 5,4, respectively.</p> <p>The South African economy is characterised by high levels of concentration and dominance in many sectors (agriculture, retail and wholesale, energy, telecommunications, financial services, property, media, gambling, construction, and 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.</p>

Future outlook

Open, efficient market systems and healthy competition are good for economic inclusion, innovation in products and services, and realistic and fair pricing.

The Competition Commission released the Measuring Concentration and Participation in the South African Economy: Levels and Trends in December 2021.⁷⁶ The backdrop to concentration is that although listed conglomerates were generally unbundled in the initial post-apartheid period, this involved mostly non-core businesses. In many cases, the core businesses continued to dominate key industries.⁷⁷ Based on previous research on concentration, the Competition Amendment Bill (13 February 2019) was promulgated in order to address persistent structural constraints on the economy and the skewed ownership profile of the economy.⁷⁸ The ongoing research looks at both levels of concentration and trends across industries as well as at industry sub-sector levels. It also covers firm income across size, the level and trends of SME participation, and new company establishment and exits.

This research is a big leap forward to better understand and address economy-wide patterns of concentration and participation.

In the interim, corporations, successful established businesses, and the government need to open up their supply chains and procurement to emerging firms and SMEs in order for them to access markets that are difficult otherwise to enter. There are many good examples of this already happening, but there are plenty more opportunities for ramping this up, and to do the latter may require a mindset shift in supply chain management. For example, this could be done on a voluntary target basis, similar to what the government has committed to (for example, local content procurement and allocation of contract participation by SMMEs) but has not yet managed to fully operationalise.

Open innovation is another avenue to involve new and growing enterprises in market participation. Increasingly, corporations understand that they do not own all of the knowledge in the market and that they can leverage the wider ecosystem for knowledge and expertise to stimulate internal innovation for market intelligence and access. At the same time, they have large amounts of data and clients which are very useful to early-stage startups. Open innovation strategies require clear goals and networks that can identify appropriate startup contributors or partners. These are complex arrangements but have been proven mutually beneficial and successful and have great potential in South Africa and Africa.

⁷⁶ James Hodge, J., Govinda, H., Leuner, R. and Mkwazi, S. Measuring Concentration and Participation in the South African Economy: Levels and Trends. Summary Report. 2021, November. Competition Commission South Africa. Retrieved from <https://www.compcom.co.za/wp-content/uploads/2021/12/Concentration-Tracker-Summary-Report-1.pdf>

⁷⁷ Ibid.

⁷⁸ Ibid.

Table 3.13: Physical infrastructure review**Entrepreneurial Framework Conditions**

[GEM SA 2021 Score out of 10]

H: Physical infrastructure (4,8)

Relevance	<p>Physical infrastructure includes roads, rail, ports, electricity, water, other utilities and related services, office and production spaces, and communications.</p> <p>Effective and efficient infrastructure is a prerequisite for investment and positive economic growth.</p>
Current reality	<p>In South Africa, poor infrastructures such as ongoing electricity load-shedding, poor roads, deteriorating rail networks, water supply disruption, and unequal access to communications negatively affect firm productivity, growth, and entrepreneurship development.</p> <p>The country has experienced intermittent power outages for more than a decade with a record number of blackouts in 2021. Eskom, the power utility, has a monopoly on power provision and has around R390 billion in debt, contributing to expenditure cuts on maintenance and new capacity.</p>

Current reality (continued)	<p>A new report by business consulting firm Frost and Sullivan shows that more than half (54%) of the country's unpaved road network is in poor to very poor condition, while about a third (30%) of the paved network is in poor to very poor condition.⁷⁹ This has a major impact on transportation across industry sectors, particularly in agriculture, where farmers rely on road transportation to move an average of 94% of their produce. Many farmers have resorted to fixing roads themselves, but this is untenable for South Africa's small-scale farmers.⁸⁰</p> <p>Two examples of the direct impact of infrastructure deterioration in more rural areas on firm performance received wide media coverage, namely dairy group Clover closing down South Africa's largest cheese factory in Lichtenburg and chicken producer Astral Food's water supply battles with the Lekwa municipality.</p>
Future outlook	<p>Overall, there is consensus that a positive relationship exists between infrastructure investment and development and economic performance, provided that infrastructure spending is well planned, implemented, and maintained. There is evidence that increasing investment in infrastructure has a more considerable relative impact on developing economies than on developed countries.⁸¹ Infrastructure investment can unlock and drive growth and improve the entrepreneurial ecosystem, allowing high levels of business development and startups.</p> <p>High levels of public and private partnerships are critical for success in infrastructure investment. The Economic Reconstruction and Recovery Plan (ERRP) outlines government's capex plans and the National Investment Plan 2050 (NIP2050) is aligned with the National Development Plan (NDP) 2030, with the purpose of providing a long-term infrastructure planning framework for South Africa.</p> <p>The deregulation of the energy sector to allow independent power producers to help relieve energy shortages is finally underway and is considered a significant structural reform.</p> <p>Telkom and communications regulator Icasa has reached an out-of-court settlement, ending the drawn-out legal wrangling over the licensing of high-demand spectrum. Icasa will commence the licensing of spectrum that remains unassigned in an auction by no later than 30 June 2022, with the licensing process to be concluded within the regulator's current financial year by the end of March 2023.⁸² Due to multiple disagreements and legal challenges, the process has been delayed for more than a decade. The release of spectrum is expected to improve data connectivity in South Africa and reduce data costs. This is good news for enterprise development and citizens alike.</p> <p>To promote a digital society and universal connectivity, the government wants to ensure that every home in South Africa has access to 50GB of data per month by the 2025/6 financial year (National Infrastructure Plan 2050). The government has set a short-term target of 10GB of data by 2023/4. In addition, the plan is that high-speed broadband will be available and accessible in all communities by 2024/5. Free basic data for low-income users are also to be considered, similar to such access to water and electricity.⁸³ How this is to be implemented and funded is not clear at this stage.</p>

79 New data shows how broken South Africa's roads are. 2021, 13 June. Retrieved from: <https://businesstech.co.za/news/motoring/497201/new-data-shows-how-broken-south-africas-roads-are/>

80 Agri SA Media Release. 2021, 5 April. Roadblock: deteriorating SA road compromise more than R7.1 bn worth of Agri produce. Retrieved from: <https://agrisa.co.za/media/roadblock-deteriorating-sa-road-compromise-more-than-r71-bn-worth-of-agri-produce>

81 Han, X., Su, J., & Thia, J.P. (2020). Impact of infrastructure investment on developed and developing economies. *Economic Change and Restructuring*, 1-30.

82 Van der Merwe, M. April, 8. It's finally over: Telkom and Icasa reach settlement over spectrum. Retrieved from: <https://www.news24.com/fin24/companies/ict/just-in-its-finally-over-telkom-and-icasa-reach-settlement-over-spectrum-20220408>

83 Vermeulen, J. 2022, 15 March. 50GB data for every South African household — government sets deadlines. Retrieved from: <https://mybroadband.co.za/news/broadband/437538-50gb-data-for-every-south-african-household-government-sets-deadlines.html>

Table 3.14: Social and cultural norms review

Entrepreneurial Framework Conditions

[GEM SA 2021 Score out of 10]

I: Social and cultural norms (4,0)

Relevance	<p>Social and cultural norms refer to how personal initiative, success, and entrepreneurial risk-taking are valued in society, the extent to which creativity and innovation are encouraged, and how society values diversity.</p> <p>Successful entrepreneurship embodies these kinds of characteristics and attributes.</p>
Current reality	<p>Social and cultural norms supporting entrepreneurship had an average rating of 4 in 2021, compared to the global average of 5.</p> <p>The propensity for entrepreneurial risk-taking scored lowest at 3.58.</p>
Future outlook	<p>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.</p> <p>Creativity, innovation, personal initiative, and the introduction to the foundations of entrepreneurship are all important in school-stage education. Furthermore, entrepreneurship education should be a core course at school level and be presented as a real career and life choice option.</p> <p>The media have an important role to play in framing an entrepreneurship culture. Entrepreneurial success stories abound in South Africa, and the media provide good coverage of these across platforms. These narratives are excellent material for learning and sharing. Case studies across sectors about the different stages of entrepreneurship development, including the difficulties and challenges and the breakthrough insights, would be a great contribution to building a positive entrepreneurship culture.</p> <p>Entrepreneurship is open to all, for those who choose this path. The greater the level of diversity, the more we will see entrepreneurial innovation and solutions that solve real-world challenges at scale.</p>

CONCLUDING COMMENTS

SECTION 4

CONCLUDING COMMENTS

Introduction

For entrepreneurs to meaningfully contribute to economic growth and societal development, they

Entrepreneurs require an enabling and supportive environment to be successful.

need to be able to operate in a flexible and enabling environment where the entrepreneurial ecosystem favours business startup,

growth, and sustainability. Furthermore, moving from startup to scaleup requires the right support from the government and the private sector.

Environments with unstable political systems, high regulatory barriers, cumbersome compliance, substandard and unreliable infrastructure, outdated technology, and limited talent will not attract new entrepreneurs nor financial capital. Such unfavourable conditions translate into weak entrepreneurial ecosystems that will discourage potential new entrants, limit existing enterprise potential, and even lead to unnecessary business relocations or exits.

The concluding comments presented here are listed distinctly, but they are, in reality, cross-cutting and mutually reinforcing (and alternatively diminishing). They assume a positive outlook on government and private sector intentions to turn the economy around, as well as the closer alignment of the national entrepreneurship development agenda for a more inclusive economy.

Strengthen the entrepreneurial framework conditions and support systems for entrepreneurial impact

The national framework conditions are reviewed and discussed in detail in Section 3. All of these conditions need strengthening, with some requiring a medium to longer term view (key policy changes, physical and related infrastructure development, and fostering a deeper culture of entrepreneurship); while others should be addressed and vitalised on a shorter time horizon (government programmes co-ordination, entrepreneurship education, and financial and market access).

The government increasingly acknowledges the importance of entrepreneurship and small business development in achieving sustainable, inclusive economic growth. However, executing its policy, and financial and other support roles timeously and effectively to bring about change remains a challenge.

From the findings, it is clear that there is a need to create greater awareness about government programmes among the youth (15 to 24 years age group) and in provinces outside of Gauteng, the Western Cape, and Kwa-Zulu Natal. Government-led entrepreneurial support is well funded, and it would be in the public interest to know the impact

of the support initiatives. The Department of Small Business Development (DSBD) and its agencies are well-positioned to co-ordinate the public sector's financial and other entrepreneurship support and

There is a need to create greater awareness about government entrepreneurship programmes among the youth.

should report annually on all government spending and resources, nationally, within provinces, and at the local government levels, and on what has been achieved.

South Africa's National Cabinet approved the publication of the draft National Integrated Small Enterprise Development (NISED) Masterplan for public comment in April 2022.⁸⁴ NISED aims to provide an integrating framework for all key ecosystem role players in small enterprise development and to co-ordinate and guide programmes supporting small enterprises. Also, it aims to help increase the participation of small enterprises in the formal economy, eliminate red tape and promote the ease of doing business, particularly for small entrepreneurs. This is a welcome development and a lofty ambition that will require significant resources and support from all role players to make the intended impact.

Talent, knowledge exchanges, networking, support services and leadership are critical for establishing and building startup hubs.

The Draft National Small Enterprise Amendment Bill was first published for comment in December 2020

and aimed to amend the National Small Enterprise Act 1996.⁸⁵ The review of the Act commenced late in 2017. The draft bill deals with certain definitions and provides for the establishment, powers, and functions of the Office of Small Enterprise Ombud Service and unfair practices in small enterprises. The planned draft framework of standards for the professionalisation of business advisory services will be developed at a later stage.⁸⁶

The private and academic sectors also have a significant role in supporting and developing SMMEs. The framework conditions reported here provide a broad, national perspective. As discussed earlier, entrepreneurial ecosystems exist in a particular region, district or extended metropolitan area at the sub-national level. These ecosystems emerge from the interaction between new enterprises, established business firms, incubators, investors, policymakers and other actors in a defined geographical location. Strengthening entrepreneurial ecosystems or startup hubs at the sub-national level, in addition to the broader entrepreneurial framework conditions, is also driven by specific factors: *Talent* (the availability and retention of highly skilled and competent people); *Knowledge exchanges* (between the academic sector

84 Cabinet approves draft small enterprise development masterplan. 2022, April. Retrieved from: <https://www.sanews.gov.za/south-africa/cabinet-approves-draft-small-enterprise-development-masterplan>

85 DSBD Shines Light on National Small Enterprise Bill. 2022, March. Retrieved from: <https://legal.sabinet.co.za/articles/dsbd-shines-light-on-national-small-enterprise-bill/>

86 Small Business Amendment Bill on Track. 2019, November. Retrieved from: <https://legal.sabinet.co.za/articles/small-business-amendment-bill-on-track>

and entrepreneurs, between established businesses and new entrepreneurs, and among entrepreneurs themselves); *Networking* (a vibrant community of ecosystem actors helping each other and providing mentorship and support, and organising events, workshops and lobbies); *Support services* (availability and cost of commercial and professional services for entrepreneurs); and *Leadership* (the quality of entrepreneurial leadership and role models in shaping the dynamics and success of the ecosystem, and also the involvement of the academic sector, chambers of commerce, journalists, and market analysts in assessing and promoting the specific entrepreneurial ecosystem).

The entrepreneurial framework conditions, with localised actors and institutions, together create the conditions for entrepreneurial activity and success. However, the overriding condition remains that the South African economy needs to be revitalised and grow way beyond its current levels of performance.

Entrepreneurship heterogeneity, data, and the ease of doing business in South Africa

Globally, startups and established small businesses constitute a very heterogeneous population, with

We need more accurate data (and definitions) on the entrepreneurial landscape.

differences influenced by the economy's size, market structures, institutions and regulations, and the prevailing business environments. SMMEs also differ in their capacity to attract, develop, and retain talent; their levels of innovation; access to relevant technology; and productivity levels.⁸⁷

Entrepreneurship activity is diverse, especially in developing countries with a robust 'secondary or informal' economy. The informal economy is integral to the overall economy but comprises enterprises that are not formally registered, tax compliant, or protected. On the other end of the spectrum, there are high-growth entrepreneurial enterprises that are innovation-driven, fast-growing, create jobs, and are well-positioned to attract capital. The latter are mostly located in the major metropolitan areas.

A key challenge is the need for more accurate and variable data (and definitions) on the entrepreneurial landscape, specifically for micro and small enterprises. Achieving greater definition and clarity should be a collaborative endeavour between the government, the academic sector, and entrepreneurs themselves. A better-informed perspective on entrepreneurship, across its nuances, will facilitate appropriate policy and regulations, minimum compliance requirements, possible labour market relaxations, impact-driven support programmes and initiatives, various incentives, access to finance, and ultimately the much discussed (and mostly unchanged) ease of doing business in South Africa.

87 Organisation for Economic Co-operation and Development (OECD). 2019. OECD SME and Entrepreneurship Outlook 2019. Paris: OECD Publishing.

Entrepreneurship education, knowledge and networks at school level

The education system needs to deliver the types of capabilities required for the rapidly evolving world of work.

The limitations and challenges of the education system are well known and documented. The alignment to the world of modern work in the context of the fourth industrial revolution (4IR) and the digital economy is particularly important. The 4IR brings together extreme innovation and changing world views, driving new economic systems and social structures.⁸⁸ The 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. The education system needs to deliver the types of capabilities required for this rapidly evolving world of work. School-level education is the foundation for this alignment.

Entrepreneurship education should be featured at the school stage (the earlier, the better).

Embracing a national culture of entrepreneurship may partly be cultivated at the school level. During his closing speech at the second South Africa Investment Conference in 2019, President Ramaphosa supported the basic education curriculum, including entrepreneurial skills.⁸⁹ As indicated in Section 3, the Department of Basic Education in 2021 proposed three new subjects: Kiswahili, Entrepreneurship, and Robotics and Coding. Robotics and Coding will now form part of the 2023 curriculum for younger grades and gradually be introduced to higher grades. Entrepreneurship as a subject will seemingly not feature for now.

Higher levels of educational attainment are typically associated with higher levels of entrepreneurial activity, but this is not conclusive. Education is important but not the only variable in entrepreneurship success. However, it does play a role in establishing foundation skills such as reading, writing, and computation. It is also critically important for cognition and critical thinking skills, self-sufficiency, personal initiative, and analytical skills.

Entrepreneurship education, and the development of entrepreneurial knowledge, should be featured at the school stage (the earlier, the better). Preferably as part of the core curriculum, and alternatively as a prominent extra-curricular subject. Either way, educators are to be equipped to prepare the youth for the possibility of entrepreneurship as a career and life choice.

Entrepreneurship education post-school (colleges and universities) is already somewhat embedded. Entrepreneurship should be a core course at all business schools and a cross-cutting core course across all faculties at the undergraduate level. The

88 Schwab, K. 2016. The Fourth Industrial Revolution. Geneva: World Economic Forum.

89 Entrepreneurship should be a subject at South African schools. 2019, November. Retrieved from: <https://businessstech.co.za/news/government/352253/entrepreneurship-should-be-a-subject-at-south-african-schools-ramaphosa/>

same approach is proposed in colleges for technical vocations and artisan trades.

The long-term consequences of poorly performing entrepreneurial education are not fully known. However, they could include little awareness among young people of entrepreneurship as an option, a limited understanding of how economies work, and low exposure to the dynamics of financial investment at the personal and business levels.⁹⁰

Education does not exist in isolation from the communities it serves nor the economy surrounding it. Greater interaction with industry sectors, for both school and post-school stages of education, is good practice for learning, alignment, and network participation.

Entrepreneurship as a life and economic choice is not for everyone. Some of the fundamental capabilities that make entrepreneurs successful such as identifying opportunities, understanding risks and return, and dealing with complexity and resilience, are, however, ones that are important to develop to prosper in the world today. The world of work is changing exponentially, and as a result, so are the notions of a lifetime career, permanent full-time employment, and single sources of income.

Accelerate financing innovation and improve access to markets

In February 2022, the government announced its Bounce-Back Loan Guarantee Scheme to support SMMEs, specifically businesses in distress, owing to the COVID-19 pandemic.

Government should develop sustainable partnerships with the private sector for new enterprise financing.

The small business loan guarantees will be facilitated through participating banks and development finance institutions, allowing access for qualifying non-bank small and medium loan providers. Key innovations may be the type of financing provided due to the expansion of service providers and that the eligibility criteria, including the requirement for collateral, have been loosened. Details were not provided at the time.

Banks were criticised under the previous Loan Guarantee Scheme for not supporting it fully, disbursing only R18.4 billion of a potential R200 billion. The banks' defense was that they were following

⁹⁰ Sahasranamam, S., et al. March, 2022. 6 trends in global entrepreneurship. Retrieved from: <https://www.weforum.org/agenda/2022/03/6-trends-in-global-entrepreneurship>

instructions from the South African Reserve Bank (SARB), which instructed them not to lend irresponsibly. Under this scheme, 94% of losses were guaranteed by the government, and banks had to assume 6% of the initial losses.⁹¹ Hopefully, the banks will have more of an appetite to lend this time around as the National Treasury will assume 20.5% of the initial losses in the new scheme.

Government support is critical for new enterprise financing, either directly but preferably in partnership with the private sector. Specifically, a growth-orientated SMME sector will directly contribute to economic growth, and private sector funding alone is likely to remain more risk-averse in early-stage entrepreneurship. It is more likely to fund enterprise growth. Government loan guarantees, although not implemented with great success to date, are viable, have been successful elsewhere, and should be continued, but implemented and managed differently.

Digital financial services have created convenience and greater accessibility, and improved the ease of doing business and applying for finance. Other examples of innovation include the establishment of digital marketplaces to connect financial service providers to clients, contactless payments for SMMEs in partnership with third parties, and flexible client denominated pay-as-you-earn business loans.

Specific incentives are urgently required for the early-stage funding of high-growth startups.

The qualifying criteria for business loans do not appear to have changed. The financial services sector at large needs to think more creatively about collateral, credit ratings and risk. For example, including criteria like how long small businesses have traded for and feedback from their customers, suppliers, and creditors. In addition, banks are particularly well placed to advise entrepreneurs on funding options over the life cycle of their enterprises. Advice and funding need to be packaged together.

The non-bank small business lending sector is underdeveloped in South Africa. In partnership with banks and private lenders, it has the potential to broaden the market through more creative (rather than stock standard) financial products to both startup and growth businesses.

Specific incentives need to be introduced for the early-stage funding of high-growth startups, for example, for venture capital and similar financial instruments, using the criteria of high growth potential and creating jobs. The previous Section 12J of the Income Tax Act 1962 incentive was deemed misused and not achieving its objectives. A reformulation, or an alternative incentive package, remains important to attract private investment at scale for new venture creation and range.

Open, efficient market systems and healthy competition are good for economic inclusion, innovation in products and services, and realistic and

⁹¹ Buthelezi, L. 2022.4 May. 'They wouldn't budge': Mboweni blames banks for failure of the Loan Guarantee Scheme. Retrieved from: <https://www.news24.com/fin24/companies/they-wouldnt-budge-mboweni-blames-banks-for-failure-of-the-loan-guarantee-scheme-20220504>

fair pricing. Attributable markets are the cornerstone for enterprise creation, growth, and sustainability.

Open, efficient market systems and healthy competition are good for economic inclusion, innovation, and fair pricing.

Market dominance in key sectors remains a structural impediment to market openness. Research conducted and regulation imposed by the Competition Commission have made great strides in dealing with the economy's persistent structural constraints and skewed ownership profile. However, there is still much to be done.

In the interim, established businesses and the government need to open their supply chains and procurement to emerging firms and SMEs to allow them to access markets that are otherwise difficult to enter. There are many good examples of this already happening, but there are plenty more opportunities for

Open innovation is an avenue to involve new and growing enterprises in market participation.

ramping this up, and to do this may require a mindset shift in supply chain management. For example, this could be done on a voluntary target basis, similar to what the government has committed to, for example, local content procurement and allocation of contract participation by SMMEs but has not yet managed to fully operationalise.

Open innovation is another avenue to involve new and growing enterprises in market participation. Increasingly, corporations understand that they do not own all of the knowledge in the market and that they can leverage the wider ecosystem for knowledge and expertise to stimulate internal innovation or for market intelligence and access. Open innovation strategies require clear goals and networks that can identify appropriate startup contributors or partners. These are complex arrangements but have been proven mutually beneficial and successful and have exciting potential in South Africa and Africa.

Access to finance and markets for women-owned businesses remains a challenge globally. Citigroup Inc. estimates that gender parity among entrepreneurs would boost the global economy by at least 2% and create millions of jobs globally. Specifically, the report estimates that closing the gender gap in business creation would add \$1.6 trillion - \$2.3 trillion to the global gross domestic product, which is an increase of about 2% to 3%; and it can potentially create 288 million to 433 million jobs worldwide.⁹² Furthermore, promoting the growth of women-owned businesses can play an important role in the pandemic recovery, especially in emerging economies where women entrepreneurs were disproportionately affected by the COVID-19 crisis. The benefits from having more enterprises created by women would also spill out into local communities.⁹³

⁹² Yee, A. 2022. March 7. Closing Gender Gap Among Entrepreneurs May Add 2% to Global GDP. Retrieved from: <https://www.bloomberg.com/news/articles/2022-03-07/closing-gender-gap-among-entrepreneurs-may-add-2-to-global-gdp>
⁹³ Ibid.

The lack of access to financing is among the biggest obstacles women entrepreneurs face. In 2019, just 2.8% of global venture capital funding went to women-led businesses. Yet, for every \$1 of investment raised, women-owned startups generated 78 cents in revenue, compared with 31 cents from men-owned firms, according to a 2018 Boston Consulting Group analysis.⁹⁴

The GEM 2021 global report shows that women entrepreneurs tend to be concentrated in low-margin sectors like retail and hospitality rather than high-growth industries such as technology and business services.

Gender parity among entrepreneurs would boost the global economy by at least 2% and create millions of jobs.

Over half of women in developing countries see entrepreneurship as a path to a better future, which is double the rate in high-income countries according to the recently published GEM Global Women's Report.⁹⁵ Yet women in developing countries lag behind men in their ability to transform their aspirations into resilient, growing businesses. These disparities underscore why unlocking the growth potential of women entrepreneurs is so critical to women's economic empowerment and for boosting inclusive growth.⁹⁶

Back women business owners in male-dominated sectors.

There are four opportunities, very applicable to the South African context, to ensure that women are not overlooked in policies and programmes supporting entrepreneurship and economic development: (1) focus on supporting high-growth women entrepreneurs with the potential to innovate, create jobs, and deliver solutions to their markets; (2) address policy constraints alongside support programmes for women entrepreneurs; (3) back women business owners in male-dominated sectors; and (4) encourage more women investors, and women in financing generally, in accelerators and incubators as they are more likely to invest in women entrepreneurs.⁹⁷

Although there are many challenges and obstacles within the broader South African entrepreneurial ecosystem, the greater interconnectedness between institutions, role players, and initiatives will go a long way to create the conditions for entrepreneurship success. This will not happen overnight, and the GEM research strives to continue to contribute towards the growing body of knowledge and discourse on entrepreneurship and inclusive economic development in South Africa.

⁹⁴ Ibid.
⁹⁵ Amanda Elam, A. and Teleki, W. 2021. November 24. How to empower women founders in low-income countries. Retrieved from: <https://news.trust.org/item/20211126161058-mrtdt8>
⁹⁶ Ibid.
⁹⁷ Ibid.

AFRICA ECONOMY PROFILES

ADDENDUM:

AFRICA ECONOMY PROFILES

AFRICA ECONOMY PROFILE



SOUTH AFRICA

Population (2020): **59.3 million** (UN)
GDP per capita (2020; PPP, international \$):
12.1 thousand (World Bank)

Attitudes and perceptions

	% Adults	Rank/47
Know someone who has started a new business	37.6	44
Good opportunities to start a business in my area	57.9	22
It is easy to start a business	67.8	11
Personally have the skills and knowledge	69.7	11
Fear of failure (opportunity)	53.0	5-
Entrepreneurial intentions	20.0	20

Entrepreneurship Impact

	% Adults	Rank/47
Job expectations (expecting to employ six or more people in five years' time)	5.3	12
International (25%+ revenue)	14	16-
	% TEA	Rank/46
Always consider social impact	-	-
Always consider environmental impact	-	-
	% TEA	Rank/47
Industry (% TEA in business services)	8.8	41

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

* Those reporting "decrease" or "strongly decrease".

Motivational

(somewhat or strongly agree)

	% TEA	Rank/47	%18-34 TEA	%35-64 TEA
To make a difference	81.4	1	83.2	78.5
Build great wealth	83.3	4	84.4	81.4
Continue family tradition	63.2	3	64.4	61.3
To earn a living	84.7	8	87.5	80.0

Activity

	% Adults	Rank/47	% Female	% Male
Total early-stage Entrepreneurial Activity	17.5	11	16.2	18.8
Established Business Ownership rate	5.2	29	3.7	6.4
	% Adults	Rank/37	% Female	% Male
Entrepreneurial Employee Activity	-	-	-	-

COVID-19 related

	% Adults	Rank/47
Pandemic has led household income to decrease	62.2	12
	% TEA	Rank/47
Starting a business is more difficult than a year ago	59.2	10
Use more digital technology to sell products or services	52.0	25
Pursue new opportunities due to pandemic	48.9	16

POLICY ROADMAP

2021 Entrepreneurial Activity Review

South Africa is the second largest economy in Africa (by GDP) and has relatively well-established markets and supply chains. Yet constraints on entrepreneurship make it challenging to sustain a business. Structurally, the economy remains characterised by excessive concentration of ownership and control in key sectors, as well as by a lack of participation by the totality of South Africans.

In 2021, overall entrepreneurial activity in the general population remained positive, despite the macro challenges of COVID-19, the electricity shortages that prevailed throughout the year, and the civil unrest and riots in July.

In 2021, South Africa's TEA rate increased to 17.5%, from 10.8% in 2019, while its EBO rate increased to 5.2% in 2021 from 3.5% to 2019. The increase in EBO is particularly encouraging, as this means more early-stage entrepreneurs made it to the established stage between 2019 and 2021, despite the obvious constraints placed on businesses due to COVID-19. The improvement in TEA may have been buoyed by slightly improved economic conditions, and most likely by the staggering rate of unemployment reported in the second quarter (34.9%, or 44.4% using the expanded definition).

In 2021, 62.2% of South African adults stated that their household income had decreased because of the pandemic, while 10.3% stated that their household income increased, the second highest among GEM level C economies.

However, despite some of these more promising indicators, confidence among South African early-stage entrepreneurs appears to be mixed. For example, 59.2% of TEA respondents stated that it was more difficult to start a business now than a year ago, while 48.9% stated that they saw new opportunities because of the pandemic; both rates were about average for GEM level C economies. Perhaps somewhat concerning is that only 52% of TEA respondents plan to use more digital technologies to sell goods and services over the next six months, the lowest figure among GEM level C economies. The latter may be the result of a lack of access and affordability rather than intent. Taken together, these rates may indicate that early-stage entrepreneurs in South Africa are less likely to adjust their business plans to respond to new business realities.

2021 Framework Conditions Review

Opinions on existing framework conditions point to a diminished outlook for early-stage entrepreneurs. This is particularly true for finance, where the framework condition Ease of Access to Entrepreneurial Finance received a 3.4 score from experts, the third lowest figure among GEM level C economies. This is one of the constraints that can dampen business investment, such as the kind needed to implement digital technologies - an area in which it appears many South African early-stage entrepreneurs may not be investing.

The framework condition Government Policy: Taxes and Bureaucracy also received a low score from experts - 3.5 - which was the fourth lowest among GEM level C economies. This reinforces a frequent economic analysis of South Africa that identifies excessive regulation and a difficult tax system as constraints on entrepreneurship. Only once this is addressed can more entrepreneurs scale up, make it to established-business stage, and formally hire employees. Similarly, the condition Government Entrepreneurial Programmes received a 3.1 score, the fourth lowest among GEM level C economies, signalling a lack of effective programmes from the state that could help entrepreneurs navigate challenges.

Infrastructure spending in South Africa has also declined in recent years, a reality identified by experts. For Physical Infrastructure, the score came in at 4.8, the second lowest for GEM level C economies. The South African state clearly faces a myriad of challenges with infrastructure investment, including ensuring reliable energy supply, rail freight network optimisation, rebuilding public sector transport systems, and service delivery at local government level. Improvements to these will all contribute to economic growth and indirectly to entrepreneurship development.

Institution

Lead institution

Stellenbosch University



Type of institution

University

Website

<https://www.sun.ac.za/>

<https://www.usb.ac.za/>

Team

Team leader

Angus Bowmaker-Falconer

Team members

Prof. Natanya Meyer

Prof. Marius Ungerer

Dr. Mike Herrington

Funders

Stellenbosch Business School

Small Enterprise Development Agency (Seda)

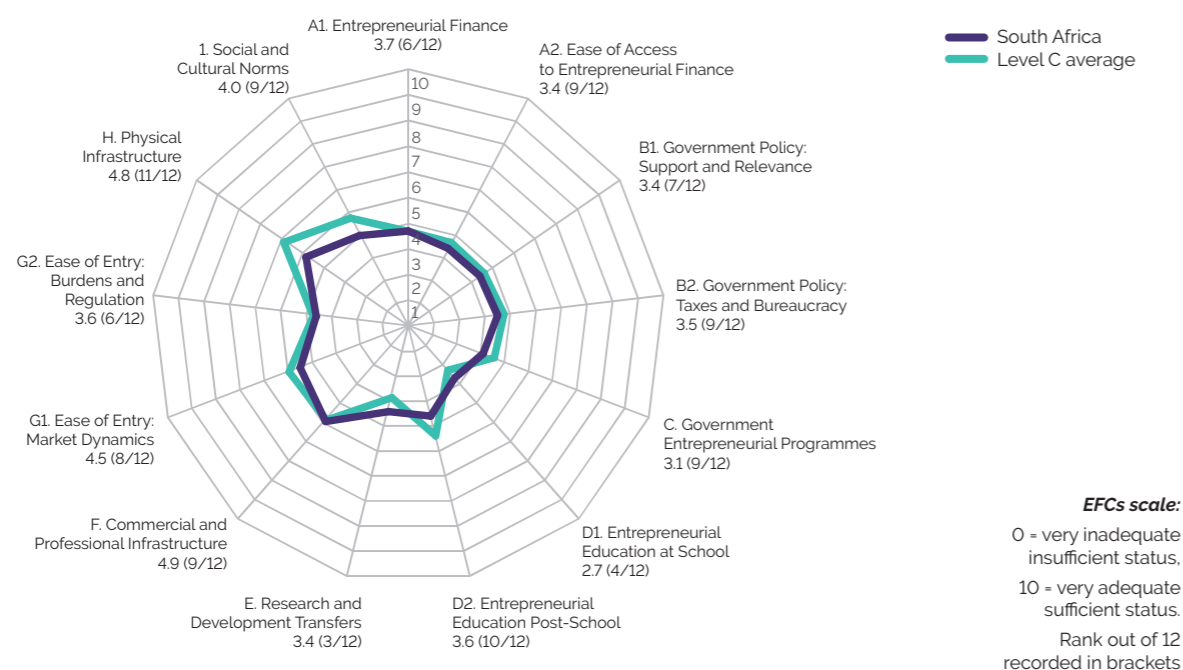
APS vendor

NielsenIQ South Africa

Contact

abf@sun.ac.za

EXPERT RATINGS OF THE ENTREPRENEURIAL FRAMEWORK CONDITIONS



AFRICA ECONOMY PROFILE



EGYPT

Population (2020): 102.3 million (UN)
GDP per capita (2020; PPP, international \$): 12.6 thousand (World Bank)

Attitudes and perceptions

	% Adults	Rank/47
Know someone who has started a new business	30.8	46
Good opportunities to start a business in my area	73.2	8
It is easy to start a business	72.4	7
Personally have the skills and knowledge	65.8	14
Fear of failure (opportunity)	53.0	5-
Entrepreneurial intentions	55.3	1-

Entrepreneurship Impact

	% Adults	Rank/47
Job expectations (expecting to employ six or more people in five years' time)	3.2	23
International (25%+ revenue)	0.6	30-
	% TEA	Rank/46
Always consider social impact	86.3	9
Always consider environmental impact	86.5	8
	% TEA	Rank/47
Industry (% TEA in business services)	6.7	43

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

* Those reporting "decrease" or "strongly decrease".

Motivational

(somewhat or strongly agree)

	% TEA	Rank/47	%18-34 TEA	%35-64 TEA
To make a difference	63.4	13	63.1	64.0
Build great wealth	72.4	15	80.0	58.6
Continue family tradition	49.5	7	50.8	47.2
To earn a living	86.9	7	85.6	89.3

Activity

	% Adults	Rank/47	% Female	% Male
Total early-stage Entrepreneurial Activity	63.4	13	63.1	64.0
Established Business Ownership rate	72.4	15	80.0	58.6
	% Adults	Rank/37	% Female	% Male
Entrepreneurial Employee Activity	-	-	-	-

COVID-19 related

	% Adults	Rank/47
Pandemic has led household income to decrease*	76.3	6
	% TEA	Rank/47
Starting a business is more difficult than a year ago	40.7	30
Use more digital technology to sell products or services	69.7	9
Pursue new opportunities due to pandemic	43.5	23

POLICY ROADMAP

2021 Entrepreneurial Activity Review

Recent Egyptian government policy announcements have signalled the necessity of boosting entrepreneurship to make the economy more competitive. Reforms have been proposed to increase the role of the private sector and accelerate digital capacity by 2024. This will not be possible without entrepreneurs, as they are the group responsible for offering improved services and implementing new digital technologies. Therefore, the stated goals of the Egyptian government are necessarily tied to the success of Egyptian entrepreneurs.

The state of Egyptian entrepreneurship is currently lower than pre-COVID levels; however, there is evidence that the future could improve. This improvement will have to scale rapidly, though, to meet the government's goals. Egypt's TEA rate decreased in 2021 to 9.2% from 11.3% in 2020. Similarly, its EBO rate decreased to 3.6% in 2021 from 5.2% in 2020. This low EBO rate means that the capacity of current established business owners needs to be boosted to carry forward the expansionary private sector goals of the Egyptian government. Moreover, newer firms will have to scale up quickly to take on a bigger role in improving Egyptian competitiveness.

There is some reason to believe this could occur. First, only 40.7% of TEA respondents stated it was more difficult to start a business in 2021 than a year ago. In 2020, this rate was 65.6%. Additionally, 69.7% of TEA respondents stated that they plan to use more digital technologies to sell goods and services over the next six months; this is about average for GEM level C economies but it will nonetheless help towards the government's goal of increasing the economy's digitalisation. Still, increasing Egypt's entrepreneurial activity will be elusive without improved economic conditions. Over 76% of APS respondents stated that their household lost income because of the COVID-19 pandemic in 2021, only slightly below its 2020 figure. It is difficult to start or expand a new business when most households are losing money.

2021 Framework Conditions Review

If current or potential Egyptian entrepreneurs are evaluating their prospects, however, they will find that certain conditions are favourable, according to 2021 NES scores. Egypt scored 4.3 and 4.4, respectively, on the framework conditions Entrepreneurial Finance and Ease of Access to Entrepreneurial Finance, both second among GEM level C economies. The framework condition of Government Policy: Taxes and Bureaucracy improved to 4.2 in 2021 from 3.2 in 2020, which suggests a loosening of some previous state obstacles to starting a business. This area will need continuous improvement if Egypt wants to increase the private sector's contribution to economic growth.

There also appeared to be improving domestic market conditions in Egypt, reflecting an expanding capacity for people to want new goods and services offered by entrepreneurs. On the condition Ease of Entry: Market Dynamics, Egyptian experts increased their score to

5.6 in 2021 from 5.1 in 2020; while the condition Ease of Entry: Burdens and Regulation scored 4.8 in 2021, which was the highest among GEM level C economies. Egypt's Physical Infrastructure score of 6.9 was also the highest among GEM level C economies. Together, these scores indicate that some of the fundamentals needed to spur entrepreneurship in Egypt are in place. This is particularly true in financing, domestic market conditions and infrastructure. Yet direct policy aimed at scaling individual entrepreneurial ventures will be needed in the coming years if the government wants to meet its lofty growth goals.

Institution

Lead institution

The American University in Cairo - School of Business



Type of institution

Business School

Website

<https://business.aucegypt.edu/>

Other institutions involved

Ministry of Energy, Commerce and Industry

Team

Team leader

Prof. Ayman Ismail, PhD

Team members

Prof. Ahmed Tolba
 Dr. Shima Barakat
 Dr. Hakim Adel Hakim Meshreki
 Seham Ghalwash, MSc
 Thomas Schött

Funders

Drosos Foundation
 Oxfam Novib (Danish Arab Partnership Program - DAPP)
 Hivos

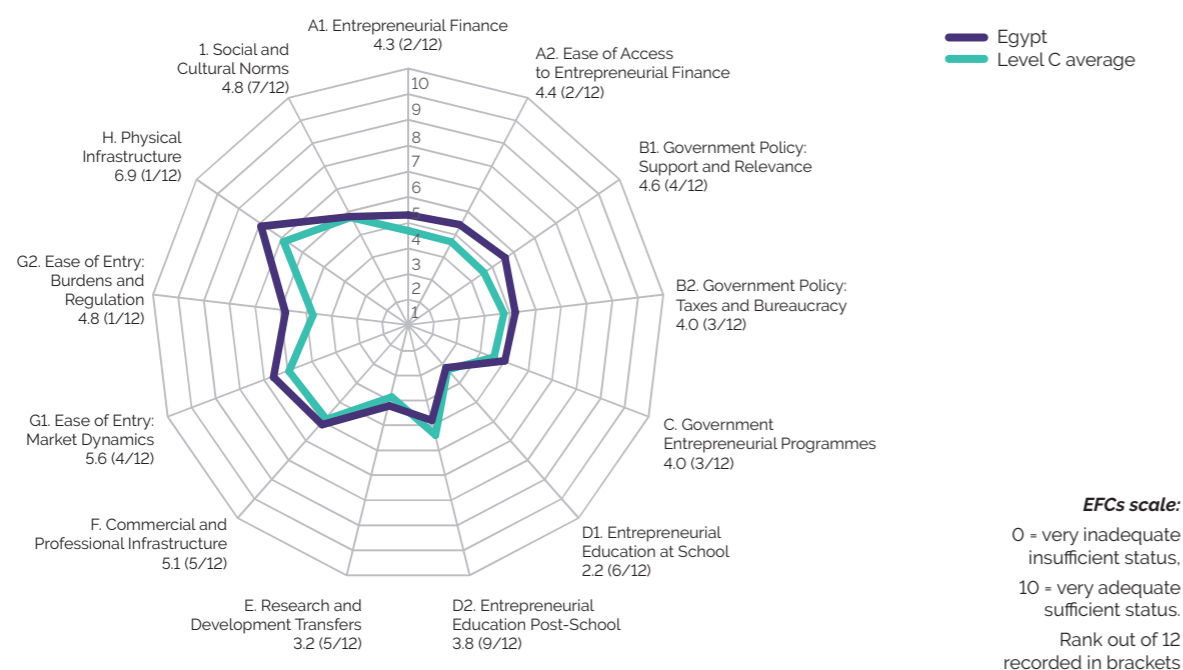
APS vendor

PHI Knowledge

Contact

aymanism@aucegypt.edu
 sghalwash@aucegypt.edu

EXPERT RATINGS OF THE ENTREPRENEURIAL FRAMEWORK CONDITIONS



AFRICA ECONOMY PROFILE



MOROCCO

Population (2020): 36 million (UN)
GDP per capita (2020; PPP, international \$): 7.3 thousand (World Bank)

Attitudes and perceptions

	% Adults	Rank/47
Know someone who has started a new business	44.0	33-
Good opportunities to start a business in my area	64.1	15
It is easy to start a business	56.1	21
Personally have the skills and knowledge	61.5	19
Fear of failure (opportunity)	35	41
Entrepreneurial intentions	43.3	11

Entrepreneurship Impact

	% Adults	Rank/47
Job expectations (expecting to employ six or more people in five years' time)	2.0	29-
International (25%+ revenue)	0.4	35-
	% TEA	Rank/46
Always consider social impact	85.3	12
Always consider environmental impact	85.1	12
	% TEA	Rank/47
Industry (% TEA in business services)	8.5	4.2

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

Motivational

(somewhat or strongly agree)

	% TEA	Rank/47	%18-34 TEA	%35-64 TEA
To make a difference	17.6	44	18.0	16.9
Build great wealth	46.5	33	46.9	46.0
Continue family tradition	22.3	34	23.4	20.9
To earn a living	87.1	6	86.5	88.0

Activity

	% Adults	Rank/47	% Female	% Male
Total early-stage Entrepreneurial Activity	6.1	42	6.3	5.9
Established Business Ownership rate	4.9	31	3.9	6.0
	% Adults	Rank/37	% Female	% Male
Entrepreneurial Employee Activity	-	-	-	-

COVID-19 related

	% Adults	Rank/47
Pandemic has led household income to decrease*	74.8	7
	% TEA	Rank/47
Starting a business is more difficult than a year ago	52.0	17
Use more digital technology to sell products or services	66.6	10
Pursue new opportunities due to pandemic	26.3	43

POLICY ROADMAP

2021 Entrepreneurial Activity Review

Can entrepreneurship help Morocco improve its high unemployment situation? Hopefully the answer is "yes", after the Moroccan finance bill signed in November 2021 allocated \$331 million to entrepreneurship initiatives with the goal of creating 250 000 jobs within two years. This bill was the most recent effort by Moroccan officials to spur entrepreneurship, with several agreements signed aimed at integrating financial support between government, large financial institutions, and new entrepreneurial ventures.

It is still too early to determine the impact of these policies. According to OEM data, the Moroccan entrepreneurial sector is currently under stress. However, the conditions necessary for starting a new business are improving. This suggests that, while the Moroccan entrepreneurial sector may have shrunk during the pandemic, it should improve in the future if policy support continues.

Macroeconomic conditions in Morocco can explain part of the entrepreneurial slump. The number of Moroccan households reporting that their income either strongly or somewhat decreased in 2021 was higher than in 2020, meaning more households lost income. This could be expected as national unemployment levels also increased in 2021 compared to 2020, from 12.3% to 12.8%. As Moroccan finance officials recognise, entrepreneurs will need to create jobs to help relieve the economy's employment issue.

Yet, unfortunately, both TEA rates and EBO rates declined in 2021. TEA fell from 7.1% in 2020 to 6.1% in 2021, while EBO declined to 4.9% in 2021 from 6.8% in 2020. Additionally, the rate of TEA respondents who saw more opportunities as a result of a pandemic was quite low at 26.3%, least among GEM level C economies, and just 16.8% among EBO respondents - second lowest among GEM level C economies. However, despite these lower rates of entrepreneurial activity, there appears to be some acknowledgement among Moroccan entrepreneurs that the worst of the downturn may be over. The rate of TEA respondents who stated that it was more difficult to start a business this year compared to the previous year decreased to 52% (second among level C economies) - a vast improvement from 72.9% of Moroccan TEA respondents in 2020.

2021 Framework Conditions Review

Further evidence that conditions for entrepreneurship in Morocco may have hit a low point, but is now gradually improving, can be found in the GEM NES survey responses. The entrepreneurial support offered by the Moroccan government in 2021 was noted, with the three government-related framework conditions of Government Policy: Support and Relevance, Government Policy: Taxes and Bureaucracy and Government Entrepreneurial Programmes all improving in 2021 compared to 2020. Particular improvements were made on the condition Government Policy: Taxes and Bureaucracy, where a 2021 score of 4.5, although second among GEM level C economies, was a marked improvement from 3.6 in 2020.

However, one area of weakness in Morocco's framework conditions is education. Both Entrepreneurial Education at School and Entrepreneurial Education Post-School saw declines in their scores in 2021, and were towards the bottom of GEM level C economies overall. However, the condition of Commercial and Professional Infrastructure score improved to 5.1 in 2021, fourth among GEM level C economies, from 4.7 in 2020. Overall, these scores reflect an improvement in the baseline conditions for Morocco's entrepreneurs. If the Moroccan government can continue its support, entrepreneurial activity should bounce back in 2022.

Institution

Lead institution

Entrepreneurship Research Laboratory Faculty of Law, Economics and Social Sciences University of Hassan II Casablanca



Type of institution

University

Website

<https://www.entrepreneurship.univcasa.ma/>

Team

Team leader

Khalid El Ouazani, PhD

Team members

Abdellatif Komat, PhD
 Salah Koubaa, PhD
 Fatima Boutaleb, PhD
 Hind Malainine, PhD
 Sara Yassine, PhD

Funders

University of Hassan II Casablanca

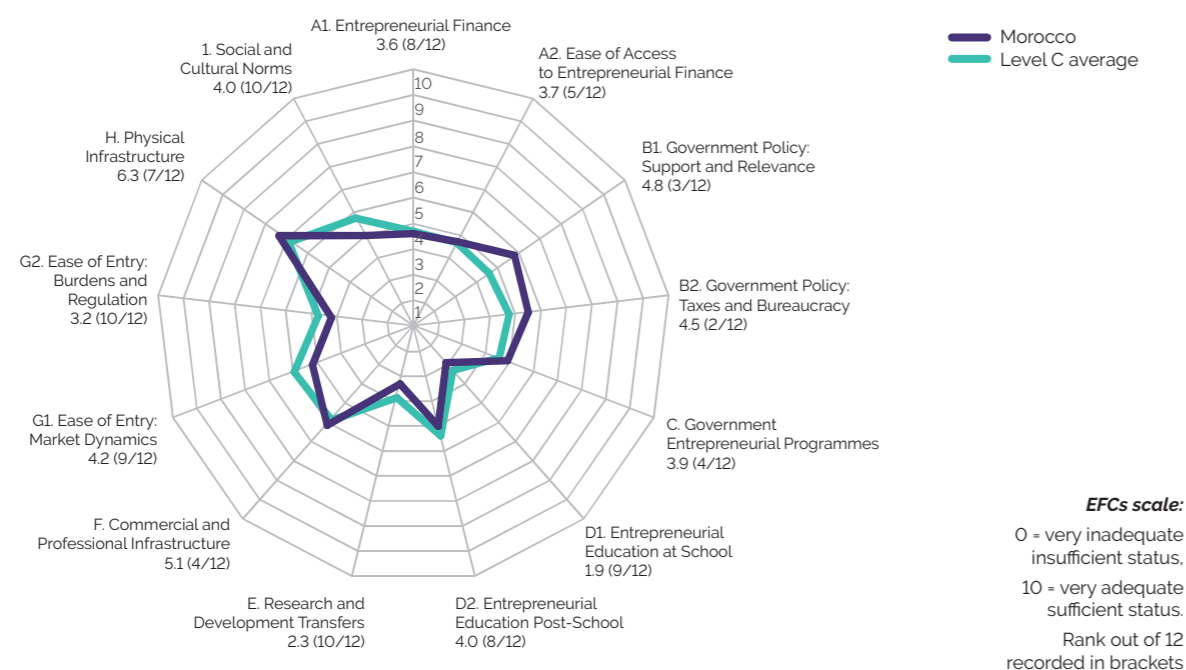
APS vendor

ClaireVision

Contact

elouazzanik@gmail.com

EXPERT RATINGS OF THE ENTREPRENEURIAL FRAMEWORK CONDITIONS



AFRICA ECONOMY PROFILE



SUDAN

Population (2020): 43.8 million (UN)
GDP per capita (2020; PPP, international \$): 4.2 thousand (World Bank)

Attitudes and perceptions

	% Adults	Rank/47
Know someone who has started a new business	66.8	8
Good opportunities to start a business in my area	72.1	10
It is easy to start a business	66.7	14
Personally have the skills and knowledge	88.1	3
Fear of failure (opportunity)	40.5	33
Entrepreneurial intentions	43.7	10

Entrepreneurship Impact

	% Adults	Rank/47
Job expectations (expecting to employ six or more people in five years' time)	5.5	10
International (25%+ revenue)	1.5	13=

	% TEA	Rank/46
Always consider social impact	82.1	14=
Always consider environmental impact	81.0	19

	% TEA	Rank/47
Industry (% TEA in business services)	4.3	45

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

* Those reporting "decrease" or "strongly decrease".

Motivational

(somewhat or strongly agree)

	% TEA	Rank/47	%18-34 TEA	%35-64 TEA
To make a difference	49.3	22	48.2	50.8
Build great wealth	86.8	3	86.5	87.3
Continue family tradition	56.8	4	52.7	62.5
To earn a living	87.7	5	86.8	88.9

Activity

	% Adults	Rank/47	% Female	% Male
Total early-stage Entrepreneurial Activity	33.6	2	26.4	40.8
Established Business Ownership rate	8.1	17	6.5	9.9

	% Adults	Rank/37	% Female	% Male
Entrepreneurial Employee Activity	1.4	30	0.9	1.9

COVID-19 related

	% Adults	Rank/47
Pandemic has led household income to decrease*	79.9	9

	% TEA	Rank/47
Starting a business is more difficult than a year ago	73.1	3
Use more digital technology to sell products or services	59.9	16
Pursue new opportunities due to pandemic	44.7	22

POLICY ROADMAP

2021 Entrepreneurial Activity Review

Sudan has undergone extraordinary change over just the last two years. In 2019, the country formed a new government under Prime Minister Abdalla Hamdok. This government was briefly deposed by a military coup in October 2021, followed by the reinstatement of the Hamdok government one month later. The 2021 data collected by GEM Team Sudan occurred in the months shortly before the military coup. Therefore, it gives an accurate snapshot of Sudanese entrepreneurship as it stood in the period between the initial Hamdok reforms (starting in 2019) and the most recent episode of political instability. After some initial success following the 2019 reforms, how Sudanese entrepreneurs respond to this moment will be critical to their long-term survival.

The market reforms began by Hamdok in 2019 opened the Sudanese economy for more entrepreneurial activity. However, it should be noted that these reforms also strained many Sudanese as they adjusted to the transitioning economic model. The result was that many Sudanese started new businesses, for a mix of both opportunity and necessity reasons. In 2021, the Sudan TEA rate was 33.6%, second among all GEM economies, while its EBO rate was 8.1%. Sudan did not participate in the 2020 survey, but it appears that its general population has a strong entrepreneurial outlook, which must have been present well before 2019, before the market reforms. Over 70% of Sudanese reported that there were good opportunities to start a business where they live, and nearly 90% state they have the knowledge, skills, and experience to start a business. This outlook has contributed to its high rate of entrepreneurial activity.

Of course, COVID-19 has also played a significant role in shaping entrepreneurial activity. In 2021, only 44.7% of Sudanese TEA respondents and 46.0% of EBO respondents stated they saw opportunities as a result of the pandemic, some of the lowest rates among GEM level C economies. Additionally, 73.1% of TEA respondents stated it was more difficult to start a business than in the previous year. Cumulatively the challenges of both COVID-19 business realities, in addition to the political unrest, may dampen the potential of Sudanese entrepreneurs, even if they are highly confident in their pursuit of the opportunities made available in the last couple of years.

2021 Framework Conditions Review

Experts gave Sudan relatively low scores across many Entrepreneurial Framework Conditions, reflecting the unstable nature of an entire economy transitioning to a new model. It is difficult to provide ideal conditions for entrepreneurship in such a situation. On the three conditions of government policy, Sudan was given the lowest scores of all GEM level C economies. These scores indicate the low priority assigned to helping entrepreneurs by the state. This can also be seen in the scores given to the conditions of entrepreneurial education, at both the early and advanced schooling levels. Both sets of scores (1.0 for primary and secondary school; 3.5 for post-secondary

school) were the second lowest among GEM level C economies, again reflecting low investment by the new government in training the next generation of Sudanese entrepreneurs.

However, two areas where experts provided a higher score were in financing and market entry. On the condition of Entrepreneurial Finance, Sudan's 3.9 score was fifth among GEM level C economies, while a 3.8 score on Ease of Access to Entrepreneurial Finance placed it fourth. Sudan's 7.0 score on the condition Ease of Entry: Market Dynamics was first among GEM level C economies. This corresponds to the size of Sudan's domestic market (44 million) and their desire for new products and services. Sudan's entrepreneurial capacity, combined with its large consumer demand, is a tremendous opportunity, but will require political stability to meet its economic potential.

Institution

Lead institution

Ahfad University for Women



Type of institution

University

Website

<https://www.ahfad.edu.sd/>

Team

Team leader

Widad Ali A/Rahman

Team members

Mohamed Alsaeed Othman Mahjoub
 Amira Kamil
 Amel Hassan Ahmed
 Muna Mudathir Ragab
 Mutaz Mohamed Nour
 Ahmed Elmurtada
 Nafisa Tarig
 Midhat Abdel-Magied

Funders

African Development Bank (through) ENABLE Youth Sudan Program

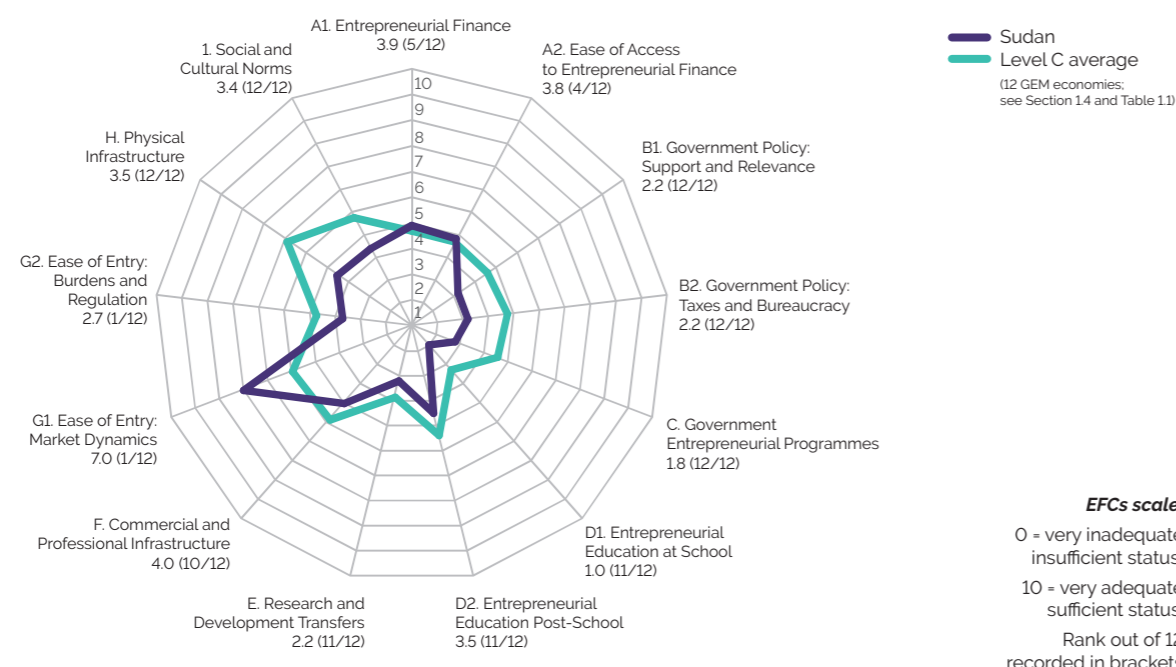
APS vendor

Diva Marketing Services

Contact

widadali01@live.com

EXPERT RATINGS OF THE ENTREPRENEURIAL FRAMEWORK CONDITIONS



EFCs scale:

0 = very inadequate insufficient status,
 10 = very adequate sufficient status.
 Rank out of 12 recorded in brackets





Global Entrepreneurship Monitor
South Africa

2021/2022 Report