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**Title:**

**CONSTRAINTS TO ENTREPRENEURSHIP: EXPERIENCES OF  
EGYPT AND TUNISIA IN NORTH AFRICAN ECONOMIC  
DEVELOPMENT**

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## ABSTRACT

This paper aims to address the constraints of entrepreneurship in North African economic development with emphasis on the performances of Egypt as a challenging case and Tunisia as an emerging one in this activity. Furthermore, this paper will elaborate on these constraints as well as analyze the benefits of entrepreneurship. Constraints include government involvement in corruption and their attempts to prevent the launch and/or progression of entrepreneurial activities by implementing a large number of bureaucratic procedures which make it difficult to legalize a business and/or property. Benefits include the contributions of entrepreneurial activities to economic growth and development. This paper will then relate the effects of the constraints and benefits to the entrepreneurial experiences of Egypt and Tunisia.

**Key Words:** Entrepreneurship, Constraints, Corruption, Innovation, Extralegal, Property Rights, Legal and Political Barriers, Egypt and Tunisia.

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## **1. Introduction:**

An increasingly recent and important activity as well as a major contributor to economic growth is entrepreneurship. To understand the importance of entrepreneurship we must first understand the meaning of it: "In a business sense, an entrepreneur is someone who starts a business, or who reinvents or revolutionizes an existing business;" "the entrepreneur launches new products, opens new markets, discovers new forms of organization, or acts in other ways to change the status quo" (Platt 2004, p. 541). Their ideas come about by seeing what other entrepreneurs have done previously and combining those ideas with their own in order to have new and better productions (Holcombe 2008). Entrepreneurship has existed for a long time, but nowadays its role is becoming more and more significant due to recent acknowledgements in the fact that there are many benefits associated with it. Economists like Joseph Schumpeter and Adam Smith identify some of these benefits and how they improve society's living standards. A good example of an economic advantage is innovation such as ideas to create more jobs, which lead to more wealth and therefore more economic growth. However, in many developing countries innovation and other benefits cannot come about when disadvantages such as constraints prevent the launch of this activity.

Then economists like Hernando de Soto identify the constraints. De Soto's findings are logical and convincing, however they are inadequate as he does not mention other constraints besides the legal and political barriers to entrepreneurship and access to property rights. Other major constraints which lack in his work are access to credit and gender discrimination. Access to credit is a financial constraint where it is hard to obtain loans in order to start a business. Gender discrimination is a form of social norms constraint which mainly occurs in developing countries and mostly towards women. Men are more favored for employment opportunities in entrepreneurship and other types of work while women are expected to engage in household activities and raise children. The limited role of women as well as the denial of access to employment has a negative impact on the expansion of entrepreneurial activities and therefore economic growth. De Soto may not cover all constraints, but his theories do explain the failure in the take off entrepreneurship adequately. He explains that legal and political obstacles to property registration lead to extralegal jobs, working in the informal sector, and different forms of corruption such as rent seeking and tax evasion. "Microeconomic distortions (hence policy) and weak governance can generate opportunities for corruption" (Noland and Pack 2007, p. 151). For example, tax evasion occurs as a result

of workers not being able to get registered in a legal system. Consequently, they obtain illegal jobs and do not declare their earnings from a property or a business they own. Such activities will prevent workers from realizing the value of their assets and will not allow them to create more capital (de Soto 2000).

A prevailing country in the entrepreneurial field is Tunisia and a more challenging case regarding this field takes place in Egypt. Both countries are located in the Middle East and North Africa (MENA) region. Compared to Egypt and some of the other countries in MENA, Tunisia due to the major economic reforms and implementation of new and improved policies since the 1970s, has shown progressions in entrepreneurial activities in the service sector such as tourism (Lahouel 2007). Even though, there were many recent economic successes in this country, there are more political and legal barriers as well as financial obstacles to overcome in order to achieve full economic growth and development. As entrepreneurship plays a very important role in economic development, in Egypt many changes have to take place in order for the country to draw alongside Tunisia in the entrepreneurial aspect. As for Tunisia, it is only a matter of realizing its potentials and resources and then combining them with more sustainable entrepreneurial activities.

Afterwards there is no reason why government officials in this country should not remove all barriers to continue innovation and economic expansion processes. This essay will analyze the constraints of entrepreneurship with focus on the experiences of Egypt and Tunisia in North African economic development.

### *1.1 Methodology:*

This paper contains information from online journals, books, and textbooks as well as data from various sources. The three main sources this work refers to are Hernando de Soto's *The mystery of capital: why capitalism triumphs in the West and fails everywhere else*, *Making poor nations rich: entrepreneurship and the process of economic development* edited by Benjamin Powell, and Marcus Noland and Howard Pack's *The Arab economies in a changing world*. De Soto's work is used to address the main entrepreneurial constraints. Powell's work is used to support de Soto's findings of constraints as well as explaining the benefits of entrepreneurship and its contributions to an economy. Marcus Noland and Howard Pack's work is used to address constraints caused by social and institutional norms; this book also

provides useful data in costs and the amount of time it takes to enter, operate and close a business in the countries of Egypt and Tunisia. Other data sources are from The World Development Indicators and the World Bank's *Youth employment in the MENA region: a situational assessment* by Nader Kabbani and Ekta Khotari.

## **2. Importance of Entrepreneurship:**

As mentioned earlier, the role of entrepreneurship is becoming increasingly important in economic growth and there are several reasons which prove this finding. A famous economist regarding the importance of entrepreneurship is Joseph Schumpeter. His most well known theory is called 'creative destruction,' where the rise and success of capitalism can only come about if existing businesses experience losses so that they are able to gain in the future by becoming more innovative and productive. "Lost jobs, ruined companies, and vanishing industries are inherent parts of the growth system;" in fact "the saving grace comes from recognizing the good that comes from the turmoil;" therefore "over time, societies that allow creative destruction to operate grow more productive and richer; their citizens see the benefits of new and better products, shorter work weeks, better jobs, and higher living standards" (Cox and Alm 2008). Also according to Adam Smith, another famous economist (1776 cited in Holcombe 2008, p. 54) as markets grow "entrepreneurship would lead to innovation, which would lead to an increasing division of labor and increased productivity." As a result "entrepreneurs act upon these [profit opportunities] insights and the economy becomes more productive because it is able to produce more consumer satisfaction at a lower cost" (Holcombe 2008, p. 55). A well known theory by Smith is the 'invisible hand,' which "shifts resources from declining sectors to more valuable uses as workers, inputs, and financial capital seek their highest returns" (Cox and Alm 2008).

There are four main obstacles to starting a business. According to the World Bank (2005), they are bureaucratic procedures, time, cost and access to credit. If these barriers are removed and more people can participate in a decentralized market, there will be fewer chances of corruptions as well. "Corruption is rampant, as bureaucrats have many opportunities to extract bribes" (Ibid, p. 23). For example the chances of tax evasion, a form of corruption, will be reduced when the obstacles to starting a business are removed as this will allow firms to enter the formal sector. "As more companies move to the formal economy, governments

can lower the tax burden on all firms” (Ibid, p. 23- 24). Therefore workers will not only pay their taxes, but they will be paying them at a reduced amount. Also specific work in different areas is beneficial for an economy. “The division of labor is limited by the extent of the market, so additional firms in an area enlarge the market and allow all the firms to be more productive by becoming increasingly specialized;” in turn “increased specialization is but one way in which firms can become more innovative, so a more general way to envision this idea is that the knowledge created by firms benefits other firms in close proximity, so that when one firm innovates, others find themselves in a better position to innovate also” (Holcombe 2008, p. 62). This section will closely examine the importance of technology and trade in entrepreneurship and how both lead to more job creation.

### *2.1. Importance of technology in entrepreneurship:*

Technological advancements are an essential part of entrepreneurial progressions. “The influx of technology- whether in the form of improvements embodied in foreign equipment, technology licenses, foreign direct investment, free transfers from foreign buyers, foreign consultants- is an important source of the growth of total factor productivity (Pack 1992 cited in Noland and Pack 2007, p. 96). These advancements can only come about with the help of increased human capital particularly higher levels of education. When people have more knowledge in different areas, they invent new ideas in their field on how to move forward with technology in order to have improved productions. This in turn, brings more efficiency to an economy. “All individuals have knowledge specific to their own activities- knowledge of time and place that others do not share;” “this specific knowledge of time and place gives some people the chance to notice profit opportunities that others could not possibly see” (Holcombe 2008, p. 60). However, human and physical capital alone are not sufficient for economic gains. “Rather, an institutional environment that encourages entrepreneurship attracts human and physical capital, which is why investment and growth are correlated” (Ibid, p. 71). Therefore when investments are made in human and physical capital this will stir more entrepreneurship and cause for an economy to grow. After human capital, access to credit is important in the technological aspect of entrepreneurship. The availability of resources such as access to credit, is one of the fundamental requirements for technological advancement and consequently development. “In so far as access to credit makes an indivisible technology more divisible, it is found to play a key role in the diffusion of

technologies;" "by divisibility is meant the extent to which an innovation can be divided into small functional and affordable units" (Miller and Garnsey 2000, p. 453).

Compared with access to credit, perhaps investment in technologies is a need on a bigger scale for more positive economic outcomes. According to Leeson and Boettke (2009), there are two types of technologies: productive and protective technologies. Our focus regarding investments is to productive technologies which "refer to investment in activities that improve productivity and better service consumer needs," because "for economies to grow citizens must be willing and able to invest in capital and new technologies of production" (Ibid, p. 253). Investments in activities such as trade are crucial for economic growth. People in trade who are entrepreneurs as well can "identify market demands, produce for their satisfaction, and engage in the process of connecting buyers with their supplies" as well as improving "the allocation of existing resources" (Ibid). "Entrepreneurs can play a defining role in technology's diffusion by launching it in the market place, making it available for adoption, and subsequently managing the growth of a firm around it" (Miller and Garnsey 2000, p. 462). Also their "production and exchange enterprises stimulate new contacts, such as those with individuals supplying input markets, disperse new ideas, communicate new methods of production, acquaint individuals with new products, encourage specialization, and initiate more complex forms of exchange, such as credit" (Leeson and Boettke, p. 253). "The literature on MENA's growth experience generally suggests that the regional economies have been relatively more successful in putting new resources and technologies into use to promote growth, compared to their performance in utilizing the existing resources fully and efficiently" (Sayan 2009, p. 175). Since MENA has high levels of investment in physical capital, it is only a matter of balancing these levels with those of its human capital.

"Achieving sufficiently high levels of growth to significantly reduce unemployment and poverty and a fair distribution of income also requires investment in human capital formation and the development of an infrastructure for better governance practices (such as creating more efficient and effective judicial systems to work according to better-defined property rights; more effective regulatory policies and practices; removal of rent-seeking channels, etc.)" (Ibid, p. 176).

## *2.2. Linkage of entrepreneurship with trade:*

Trade indirectly benefits and encourages entrepreneurship and economic growth. This is because it stimulates a large number of entrepreneurial activities which lead to boosting a country's GDP. "Trade enhances growth by channelling resources to their most productive uses in the economy," however "if such resource movement is encumbered by high entry barriers, the effects of trade diminish and can even be reversed" (World Bank 2005, p. 24). An example of an entry barrier in trade is corruptions of the administrative kind. "The volume of trade is also reduced by administrative factors that delay the passage of goods through customs;" "sometimes these delays are the result of inefficiency, whereas in other instances they reflect the actions of corrupt officials seeking to extract bribes" (Lawson 2008, p. 116-117). More liberal economic policies can diminish corruption levels and encourage more trade. In addition to good policies, there is a need for foreign contributions also known as Foreign Direct Investment (FDI) in MENA as this also increases trade. "By relying on foreign investment, countries can import more productive companies and stimulate productivity improvements throughout the economy" because "FDI can speed up the structural shift in the economy that is required for growth" (Klein and Hadjimichael 2003, p. 31). In MENA though, the "major related challenge is to attract foreign contributions to necessary investments in industrial development and renovation and related infrastructure" (Henry and Springborg 2001, p. 44).

The Arab economies have received little amounts of FDI if any. "In all but a few countries, the absolute size of inflows has been very small, it has accounted for less than 1 percent of GDP and a very small percentage of fixed capital formation" (Noland and Pack 2007, p. 113). Egypt is one of those countries where there was a considerable amount of FDI. "In the last several years FDI has noticeably increased in a number countries such as Egypt, which experienced 50 percent increases in 2003 and 2004 fueled in part by the surge in oil prices and one-off privatizations;" also "much of the investment has been concentrated in real estate and/or tourism," however "only time will tell whether these projects are sustainable and generate tourism revenues (hence might be considered at least partly in the 'tradable' sector and contribute to the balance of payments)" (Ibid). Overall Egypt seems to be doing well in the service sector and tourism in particular. Figure 1 shows a trend of increasing percentages in the export of travel services from the 1987 to 2007.

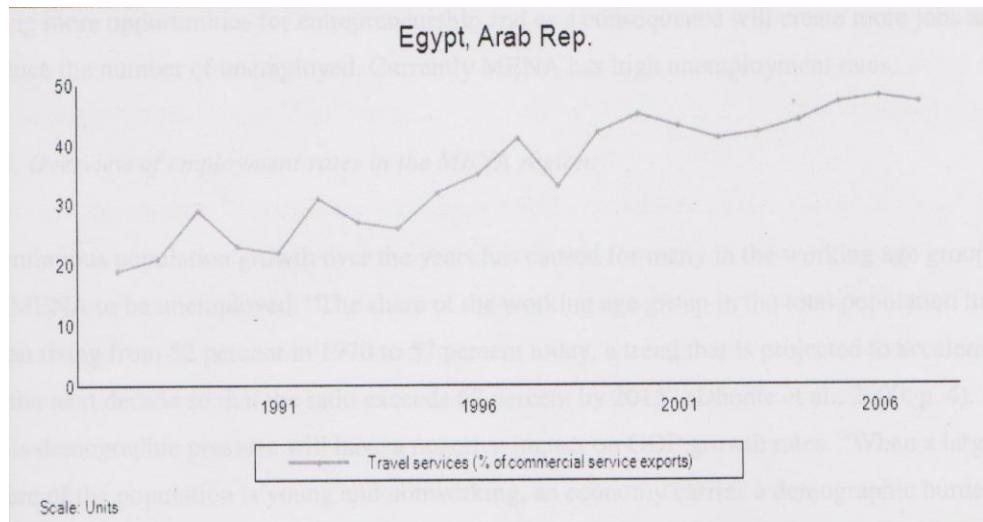


Figure 1. Source: World Development Indicators (WDI, 2009)

Despite Egypt's recent successes, in order for there to be more contributions as well as investments in MENA countries, there is a need for further liberalization. There is a positive correlation between economic freedom and good economic performance. Lawson (2008) explains that free economies tend to be more open to competition, which allows for businesses to compete in providing consumers with good quality productions at low costs, and to entrepreneurial activities because encouraging people to be more innovative as well as allowing them to use their new ideas to have better productions can increase economic enhancement. Free economies are also more likely to attract foreign investors. "Investors have a choice, and economic theory indicates that private investment will tend to flow toward economic environments that are more attractive for productive activities;" as a result "free economies will attract more investment, which in turn will promote economic growth" (Ibid, p. 120-121). "A further liberalization of intra-Arab trade could therefore enhance international competitiveness of their respective industrial bases" as well as "the region's services and be of benefit to countries where tourism is important" (Henry and Springborg 2001, p .43). Also "greater export orientation, induced by policy changes that would make exporting more profitable, could lead firms to invest more in improving their productivity and the quality of their products" while "import liberalization would allow firms lower-cost access to a greater variety of inputs, some of which embody the fruits of research and development in trading partners" (Noland and Pack 2007, p. 108-109). So more trade will

bring more opportunities for entrepreneurship and as a consequence will create more jobs and reduce the number of unemployed. Currently MENA has high unemployment rates.

### *2.3. Overview of employment rates in the MENA region:*

Continuous population growth over the years has caused for many in the working age group in MENA to be unemployed. “The share of the working age group in the total population has been rising from 52 percent in 1970 to 57 percent today, a trend that is projected to accelerate in the next decade so that the ratio exceeds 62 percent by 2015” (Dhonte et al., 2000, p. 4). This demographic pressure will have a negative impact on GDP growth rates. “When a large share of the population is young and nonworking, an economy carries a demographic burden that lowers labor input per capita, depresses the savings rate, and reduces the rate of GDP per capita growth” (Ibid, p. 7). “In a majority of MENA countries, the share of youth among the unemployed population is over 50 percent” (Kabbani and Kothari, 2005, p. 50). For instance, “an estimated 7.9 million young workers were unemployed in 2001- over 25 percent of the young economically-active population in the MENA region” (Ibid, p. 3). These unemployment figures only keep increasing as “the average unemployment rate for the seven largest non-oil or diversified economies in the region--Algeria, Egypt, Iran, Jordan, Morocco, Pakistan, and Tunisia (hereinafter referred to as the MENA7)--rose from 12.7 percent in 1990 to 15 percent in 2000” (Gardner 2003). Since population growth cannot be controlled, the alternative is to create more jobs. Therefore, “policies aimed at improving labor market flexibility and creating a favorable business environment may be more important for improving youth employment outcomes in the region than policies aimed at controlling current demographic trends” (Kabbani and Kothari, p. 16). “Employment will need to grow even faster than the working age population” and “will need to rise on average by an astounding compound growth of over 4 percent, with a 'low' target of 3.6 percent in the Arab Republic of Egypt, Morocco, and Tunisia, and a 'high' figure of 5.0 percent in Algeria” (Dhonte et al., 2000, p. 6). Also for employment numbers to increase in the private sector, there is a need for decentralization in decision making processes. This will put governments, citizens and economies in sync and will boost more employment opportunities in the private sector as governments would be able to realize the benefits of entrepreneurship and make decisions that work in favor of their citizens. “For the division of labor to become more complex and to lay the ground for increases in wealth, the effective coexistence of state,

community, and markets is crucial,” as a result the state “becomes focused on providing the framework for markets on the basis of private ownership and entrepreneurship” (Klein and Hadjimichael 2003, p. 25).

Financial development policies and institutional reforms, regardless of the boom in the population number, will lead to higher GDP growth rates. “A well-developed financial system performs several critical functions to enhance the efficiency of intermediation by reducing information, transaction, and monitoring costs” and also “promotes investment by identifying and funding good business opportunities; mobilizes savings; monitors the performance of managers; enables the trading, hedging, and diversification of risk; and facilitates the exchange of goods and services” (Creane et al., 2003). “These functions result in a more efficient allocation of resources, a more rapid accumulation of physical and human capital, and faster technological progress, which in turn feed economic growth” (Ibid). Also applications of institutional and other changes is a system “lead to conclusions about the importance of coupling innovations in financial intermediation (e.g. the creation of private equity funds) with appropriate institutions including ones that facilitate transactions and provide incentives (such as technically ‘smart’ legislation) and others that create ‘deal flow’ and bring forward entrepreneurial talent (both linked to educational and business policy interventions) (Eid 2005, p. 324). “Experience shows that as policymakers implement reforms and stay the course, confidence in economic policies grows, with a positive impact on investment, economic growth, and employment over time” (Creane et al., 2003).

### **3. de Soto's Constraint Theories and Social and Institutional Norms**

#### **Constraints in Arab Economies:**

A very relevant literary work to the theme of entrepreneurship and its constraints in Third World Countries is *The mystery of capital* by Hernando de Soto. In this book, de Soto explains and demonstrates the obstacles to legal ownership of properties and the take off of entrepreneurial activities in developing countries as well as comparing their failures with the triumphs of the West. A main point to consider is the legal barriers which include the process of taking a large amount of steps in order to legalize the ownership of properties and the set up of small businesses. However, de Soto describes the negative aspects of regulations in such a way as to say that all regulation is bad. Varley (2002, p. 450) argues that “the relation

between legal and illegal can be understood as a variant of the public/private dichotomy” and “the comparison is valuable because the criticisms levelled at dualistic thinking offer a new perspective on the arguments about property legalization advanced by both its supporters and its detractors.” Therefore, not all regulation is as bad as over-regulation. A frequent word de Soto uses in the book is extralegal. This is a type activity where the majority of the poor in developing countries are involved due to those large numbers of bureaucratic steps. Despite Varley's argument, de Soto proves his points well about how in developing countries bureaucratic processes in legalizing properties and/or small businesses can take up to years and can prevent citizens from earning an income. As a result and besides the increase in engagement of extralegal work, this obstacle has also led to other problems such as rapid urbanization because of numerous job opportunities in urban settings. In sum, “people who could not operate within the law also could not hold property efficiently or enforce contracts through the courts, nor could they reduce uncertainty through limited liability systems and insurance policies, or create stock companies to attract additional capital and share risk” (de Soto 2000, p. 74).

The two main barriers to entrepreneurship and being a part of a property system are the legal challenge and the political challenge. Because “a country's legal system may affect the quality of governance, economic performance, and/or political stability (Noland and Pack 2007, p. 144),” there is a need for the governments of developing countries to stop thinking in terms of laws in the past and realize the necessities of their citizens. This can only happen by making legal steps in having access to properties and setting up small private businesses easier in order for these citizens to create more capital. “Law is the instrument that fixes and realizes capital” therefore “it is the representation of assets fixed in legal property documents that gives them the powers to create surplus value” (de Soto 2000, p. 141). Once government officials in developing countries recognize this idea, then they can set it into motion by merging all property systems into one legal framework. “All the separate, loose extralegal property arrangements characteristic of most Third world countries must be woven into a single system from which general principles of law can be drawn” (Ibid, p. 146). Then this effective legal system will allow “a more equal playing field with more competition, a more complex division of labor within firms, and a more-sophisticated market for corporate control” (Klein and Hadjimichael 2003, p. 32).

A political challenge for the poor is their governments' favoring the elite. It has to be brought to the attention of the elite that they must encourage reform for their own benefit. This is because "creating an orderly market that makes owners accountable and gives their homes clear titles worthy of financing, will generate an expanded market, encourage law and order, and put money into the pockets of the elite" (de Soto 2000, p. 179). Besides the support from the elite, there is a need for the collaboration of lawyers and technicians. "Once reformers have the poor and at least some of the elite on their side, it will be time to take on the public and private bureaucracy who administer and maintain the status quo- principally, the lawyers and the technicians" (Ibid). "Although entrepreneurs and ordinary people are the builders of capitalism, it is the lawyers who fix property concepts in tangible representative form and define those concepts in statutes;" "the security of ownership, the accountability of owners and the enforceability of transactions must ultimately be concretized in procedures and rules drafted by lawyers," therefore "it is the legal profession that perfects all the artefacts of formal property [such as] titles [and] records" (Ibid, p. 180). As for technicians, modernization of technologies will only be effective with the support of political leadership. Therefore "government policy should be designed to provide more attractive incentives to technology suppliers that are willing to enter into collaborative alliances with local firms"(Lado and Vozikis 1997, p. 67) because "it is a political task to persuade technocracy to make itself over and support change"(de Soto 2000, p. 186).

### *3.1. Unproductive entrepreneurship:*

There are several reasons why entrepreneurship fails to take off or exists extra legally in developing countries. Rent seeking and tax evasion are common results of unproductive entrepreneurship. "The basic hypothesis is that, while the total supply of entrepreneurs varies among societies, the productive contribution of the society's entrepreneurial activities varies much more because of their allocation between productive activities such as innovation and largely unproductive activities such as rent seeking or organized crime" (Baumol 2008, p. 79). Also "legal, administrative, and institutional obstacles weigh heavily on the private sector and tend to encourage rent seeking rather than entrepreneurship, thereby hurting competitiveness and dampening growth" (Gardner 2003). Why do people engage in unproductive entrepreneurship? "Most governments in developing countries impose unnecessarily high costs on businesses through licensing, permits, and other restrictions;" so

“when the regulatory burden to start a business is high, fewer entrepreneurs bother to start businesses, and when they do, they tend to operate on a smaller scale and in the informal sector” (Perkins et. al 2006, p. 85). This also leads to some people operating their businesses in the Black Market. “Black markets generate an opportunity to improve living standards for individuals effectively barred from above-ground markets by corrupt governments’ predation” however this is “illegal and thus cannot be enforced in state courts” (Leeson and Boettke 2009, p. 255).

When entrepreneurs run their businesses illegally, not only they cannot generate wealth the way legally registered entrepreneurs can, but they are also often in a risky situation. “Because they are not incorporated, extralegal entrepreneurs cannot lure investors by selling shares; they cannot secure low-interest formal credit because they do not even have legal addresses; they cannot reduce risks by declaring limited liability or obtaining insurance coverage” so they “live in constant fear of government detection and extortion from corrupt officials” and “are forced to split and compartmentalize their production facilities between many locations, thereby rarely achieving important economies of scale” (de Soto 2000, p 139). The same situation applies to holding illegal properties. When properties are not properly registered, risky consequences are involved. Therefore, “people [tend to] build less if they think there is a risk that the state or another person might take away or occupy what they have built, just as no one invests in costly innovations if anyone might later appropriate their invention without compensation” (de Soto 1989, p. 159). On the other hand, if property rights are insured, there will be many economic advantages. “From a strictly economic standpoint, therefore, the true purpose of property rights is not to benefit the individuals or entities holding those rights, but to give them the incentive to increase the value of their assets by investing, innovating, or combining them advantageously with other resources, something which would have beneficial results for society” (Ibid, p. 159-160).

### *3.2. Property Rights:*

The World Bank in their publication of *Doing business in 2005* and Hernando de Soto’s *The mystery of capital* both have the same reasoning of why it is necessary and important to have a right to a property and how an easy registration process can make entrepreneurship efficient while it is able to produce capital. When people in developing countries have easier access to

a property and are able to register for it without going through a large number of steps, transactions costs are reduced and the positions of entrepreneurs with small firms are more secured and better protected leading to more efficiency in a market (World Bank 2005). Also “property rights provide owners with a long-term outlook and enable them to raise capital more easily” (Klein and Hadjimichael 2003, p. 128). If properties are not legalized, this will have negative impact for an economy. For example, “unregistered property limits the financing opportunities for new businesses and expansion opportunities for existing ones” (World Bank 2005, p. 33). As a result, “the potentially limited property securing capacity of private protection technologies may be insufficient to create incentives to engage in wider-reaching production and exchange activities” and “lenders will be less likely to make loans in this case, constraining productive-tier entrepreneurs’ ability to expand their enterprises” (Leeson and Boettke 2009, p. 255). “To measure the ease of getting credit, a new index on how well collateral and bankruptcy laws facilitate lending includes 3 measures of legal rights in bankruptcy and 7 measures of collateral law;” MENA is one of “the region[s] with the weakest legal rights” (World Bank 2005, p. 45).

We have learned about the consequences of unregistered property, but what causes people in developing countries to not go through with the registration process (besides the legal barriers) if it brings more protection and efficiency? According to de Soto there are five reasons why property law does not work in developing countries, which are:

- “all people who take cover in extralegal or underground sectors do so to avoid paying taxes;
- real estate assets are not held legally because they have not been properly surveyed, mapped and recorded;
- enacting mandatory law on property is sufficient, and governments can ignore the costs of compliance with that law;
- existing extralegal arrangements or ‘social contracts’ can be ignored;
- you can change something as fundamental as people’s conventions on how they hold their assets, both legal and extralegal, without high-level political leadership” (de Soto 2000, p. 138).

Property rights are associated with the advancement of technologies. Without rights to properties one cannot invest in technologies to create more capital and for technology to progress. “Another complex set of rights that grows in importance as economies develop is rights to information such as new ideas;” “once information is generated, the marginal cost of distributing it can approach zero with modern technology” (Klein and Hadjimichael 2003, p. 45). As discussed earlier, Leeson and Boettke explain that there are two types of technologies. We defined the productive type, we now focus on the protective one. “Protective technologies refer to the methods of creating and enforcing individuals’ property rights;” “where property is at risk, either from state predation or from predation by private individuals, citizens have little incentive to invest in the productive technologies” (Leeson and Boettke 2009, p. 253).

The level of economic freedom determines a government's flexibility in giving its citizens property rights. The Economic Freedom of the World (EFW) index measures this level along with “the degree to which a nation's institutions and policies are consistent” bearing in mind that economic freedom has four cornerstones (Lawson 2008, p. 115). They are “(1) private ownership, (2) personal choice, (3) voluntary exchange, and (4) free entry into markets;” “the overall index is divided into five major areas: (1) size of government, (2) legal structure and securing of property rights, (3) access to sound money, (4) exchange with foreigners, and (5) regulation of credit, labor, and business” (Ibid). “Of course, a government may do a pretty good job in some areas—for example, access to sound and freedom of international exchange—and at the same time impose regulations that restrict economic freedom in other areas” (Ibid, p. 117). Since “weaknesses in corporate governance lead to the exploitation of minority shareholders, reduce investment, and enhance the vulnerability of economies to adverse shocks,” (Klein and Hadjimichael 2003, p. 45) “the dilemma is thus how to empower government sufficiently to protect property but at the same time prevent it from using this power to destroy citizens' property claims, stifling investment in productive technologies, and with it, wealth-creation” (Leeson and Boettke 2009, p. 254). “The key ingredients of a legal system consistent with economic freedom are rule of law, securing of property rights, [and the] enforcement of contracts” (Lawson 2008, p. 116). “Without effective property rights that allow the seller to charge for it, valuable information may never be produced” (Klein and Hadjimichael 2003, p. 45) causing for there to be fewer capital formation in an economy.

### *3.3. Social Norms Constraints:*

Gender discrimination is a social norms constraint. Social norms “affect personal and societal tolerance for gender discrimination and shape the opportunities that are open to women;” “discrimination and inequality in the labor force normally manifest themselves in wage discrimination and occupational segregation, in which different groups work in different industries (horizontal segregation) or in which one group tends to dominate in supervision and the other in production activities (vertical segregation)” (Nabli 2004, p. 100). The female labor force is an important issue in economic development. “Given the push to increase the female labor force participation rate, and the need to reduce the unknown but presumed very high current rates of unemployment or underemployment, the number of jobs created likely will have to increase by more [than] 3 percent per year for most countries” (Noland and Pack 2007, p. 96) in MENA. Recently the labor force participation rates for women have been increasing. The reason for this is due to the fact they are achieving higher educational attainments, which as a consequence over the years has reduced the fertility rates in the MENA region; in turn this has allowed women to work and earn higher wages (Kabbani and Kothari, 2005). In fact, “female participation rates increased markedly during the 1990s: by 6 percentage points in Algeria; 5 percentage points in Jordan; 4 percentage points in Egypt, Pakistan, and Tunisia; and about 2 percentage points in Iran and Morocco” (Gardner 2003). However as more women in MENA join the labor force, their unemployment rates tend to increase because of gender discrimination, a major constraint that prevents them from having certain jobs (Kabbani and Kothari 2005).

Although the number of self-employed women have increased over the years, gender discrimination continues to withhold the numbers from increasing further. For instance, “social attitudes and laws outside the business legislation heighten the barriers for women entrepreneurs and limit their opportunities” (El Naggar 2007). By social attitudes it is meant that the discouragement of “women’s employment can act as barriers, and that certain laws – such as those requiring a husband’s permission to travel - can interfere with both a woman’s opportunities and the implementation of business legislation” (Ibid). Despite this major constraint, statistics show that the female participation rates in the work force have been increasing particularly in Egypt and Tunisia. Figure 2 demonstrates the changes between 1960 to 2000.

**Share of Young Female Workers in the Labor Force in Egypt and Tunisia (1960-2000)**

	1960	1980	2000	Change 1960-
Egypt	25%	29%	34%	10%
Tunisia	25%	35%	39%	15%

*Figure 2. Source: ILO (1996 ) cited in Youth Employment in the MENA Region: A Situational Assessment*

In the past women's education levels in Arab countries were lower and fertility rates were higher. Nowadays more women are authorized to achieve higher educational attainments and participate in the labor force. In fact "in recent years, female-owned firms have increased their work force faster in Egypt, Jordan, Saudi Arabia, and West Bank and Gaza than male-owned firms" (Ibid). Women's recent achievements, however, will not disregard the fact that men are still more preferred for entrepreneurial and other employment opportunities. By and large "entrepreneurial activity is associated with populations with large shares of young adults, and men are twice as likely as women to be involved in start-ups" despite the fact that "women are relatively more active in developing countries" (Noland and Pack, p. 244). Women's involvement in the MENA economies has to increase for there to be more economic growth in the region. This can occur by giving them more equal opportunity rights and fewer restrictions in allowing them to integrate in public and private sectors also because this will spur more innovative ideas from their point of view of what an economy needs to develop. Furthermore, when more women work, there is a reduction in fertility rates leading to less population growth.

#### *3.4. Institutional norms constraints:*

Institutional factors like religious beliefs are another form of constraints. "Institutional environment- the man-made constraints that structure political, economic, and social interaction, consisting of both informal constraints (taboos, customs, and codes of conduct) and formal rules (constitutions and laws)- may have an important impact on development" (Noland and Pack 2007, p. 139). Since women play an important role in economic growth, constraints associated with religious beliefs can withhold women from starting a business or

entering the labor force in general and this can have negative consequences for an economy. “It might be tempting to attribute the low levels of female labor force participation to cultural norms or religious practices” (Kabbani and Khotari 2005, p. 18). “In Egypt, 83 percent of married working women surveyed indicated that their husbands accepted or firmly accepted their working,” but, “for unmarried working women, only 2.5 percent indicated that they believed that working would adversely affect their prospects of getting married (Assaad and Zouari 2002 cited in Kabbani and Khotari 2005, p. 18).

Though Islam is not a cause for less economic growth or an obstacle to MENA’s economic development, it still does have an effect. Islam “is the spiritual prism through which many in the region interpret existence; many adherents increasingly regard it as being under threat; and for a variety of reasons, political opposition to the region’s ubiquitous authoritarian regimes has an increasingly Islamic bent” (Noland and Pack 2007, p 300-301). So the economic performances of the Arab countries are not determined by Islamic rules, however Islam may have indirectly had negative effects. “While Islam may not be strongly correlated with economic outcomes, it still could be the case that the Islamic religious tradition or other cultural or historical experiences may have affected the development of local institutions or conditioned local attitudes on a wide range of issues that could indirectly affect economic performance” (*Ibid*, p. 144).

#### **4. Case Studies: Egypt and Tunisia:**

This section will address the constraints and the benefits of entrepreneurship as well as their outcomes in the Egyptian and Tunisian economies. These two countries were specifically chosen in order to examine constraints in a challenging case (Egypt) and in an emerging one (Tunisia). As discussed earlier, at present the demographic pressure in MENA is increasing. This region is continuously facing population growth which consequently adds to the population number in the labor force. This “growth of more than 3 percent for roughly the next 15 years” can cause for unemployment to “rise from 15 million to 50 over this period,” therefore, “under these circumstances the imperative is to create jobs” (Noland and Pack 2007, p. 3). However, due to a number of regulations and procedures, starting a new business in the MENA region can be burdensome. “Regulatory hurdles to business formation are reinforced by a financial system that tends to channel capital to investment in government

bonds or loans to large, established, and possibly politically connected enterprises, rather than small and medium-sized enterprises (SMEs) and start-ups” (Ibid, p. 238). In addition, costs in entering can be high, even for once the business is running and when closing it. Figure 3 shows the costs of entering a business; figure 4 shows the costs enforcing contracts and figure 5 shows the costs of closing a business in the two countries. As you will see in these tables, note that Egypt’s number of procedures and days/years as well as costs in entering, operating and closing a business are more than Tunisia’s. This is because Egypt faces more regulatory hurdles and restrictions in developing its economy; whereas Tunisia is politically more liberal and has better policies which favor entrepreneurial activities.

### Starting a business

Country	Number of procedures	Time (days)	Cost (percent of income per capita)	Minimum capital (percent of income per capita)	Domestic competition: Administrative burden for start-ups (percentile)
Egypt	10	34	104.9	739.8	35
Tunisia	9	14	10.0	29.8	89

Figure 3. Source: World Bank, *Doing business 2006 database cited in The Arab economies in a changing world*

### Enforcing contracts

Country	Number of procedures	Time (days)	Cost of enforcing contracts (percent of debt)
Egypt	55	410	18.4
Tunisia	14	27	12.0

Figure 4. Source: World Bank, *Doing business 2006 database cited in The Arab economies in a changing world*

<b>Closing a business</b>			
Country	Time (years)	Cost (percent of estate)	Recovery rate (cents on the dollar)
Egypt	4.2	22	16.2
Tunisia	1.3	7	51.6

*Figure 5. Source: World Bank, Doing business 2006 database cited in The Arab economies in a changing world*

In addition to the regulatory hurdles in starting, operating and closing a business as well as difficulties in obtaining bank loans to start a business, Egypt and Tunisia have other problems in common. Some include insufficient trade and use of modern technologies. Though trade in Tunisia is a high percent of the country's GDP, more of it needs to take place with more countries. Others problems are high unemployment rates and the employment issues for women. "Female workers face significant barriers to entry in the private sector, often contributing to high female unemployment rates and large gender gaps in wages" (World Bank, 2004b cited in Kabbani and Khotari, 2005, p. 39).

These issues aside, the two countries have some positive points in common as well. Probably the most important point they have in common is tourism, which in this region, has become an emerging entrepreneurial activity. "Between 1995 and 2005, the largest expansion of international tourism arrivals is concentrated, in rank order, in Egypt, Morocco, South Africa, Tunisia, Botswana and Algeria" (Rogerson 2007, p. 366). An alternative to an industrial sector activity is a service sector one such as tourism. This activity is ideal for sustainable economic development by "building on the region's geography in the form of its long Mediterranean and Red Sea coastlines and the abundance of antiquities reflecting the region's long multicultural history" (Noland and Pack 2007, p. 110). "To achieve the objectives of shared growth through tourism, an important task is the promotion of small and medium sized tourism enterprises, which represent at least 90 percent of all tourism enterprises in Africa" (World Bank, 2006a cited in Rogerson 2007, p. 371). It is in the hands of governments to make decisions for the benefit of their citizens. In African countries, the potentials of tourism as an important entrepreneurial and economic activity are increasingly being realized which is why Egypt and Tunisia are two of the top four destinations. "Africa's

tourism is clearly dominated by the ‘big four’ destinations of Egypt, South Africa, Tunisia and Morocco” and the international receipts from tourism “are dominated overwhelmingly by the ‘big four’ destinations, which collectively accounted in 2005 for 73 per cent of all African tourism receipts” (Rogerson 2007, p. 365 and 366). This section will analyze the differences between Egypt and Tunisia in entrepreneurial progressions, how Egypt faces more obstacles to entrepreneurship and how Tunisia’s successes were due to changes to overcome the same obstacles which prevent Egypt’s further economic growth.

#### *4.1. Egypt:*

Egypt has experienced many obstacles with its property system. An example of it is when a “person who wants to acquire and legally register a lot on state-owned desert land must wend his way through at least 77 bureaucratic procedures at 31 public and private agencies” (de Soto 2000, p. 17). This leads to building properties illegally. “In Cairo residents of older four-storey public housing projects build three illegal storeys on top of their buildings and sell the apartments to relatives and other clients” (*Ibid*, p. 25). The length of procedures in starting a business and/or legalizing a property depends on legal and institutional factors as well as religious and cultural practices. However, these lengths vary across MENA countries. For instance, “it takes on average less than a month to enforce a contract in Tunisia”, but it takes “well over a year in Egypt” (Noland and Pack 2007, p. 243). “The relatively high cost of both entry and exit presumably deters business formation, dampens competition, and reduces efficiency” (*Ibid*, p. 238). While “Egypt scores particularly poorly on these measures” “Tunisia may score better because it has a vibrant business sector, which has successfully influenced the government to maintain a relatively efficient environment” (*Ibid*, p. 238 and 241). Also in Egypt, since the court system does not work well, small enterprises tend to have difficulties settling disputes through arbitration. “Less able in constructing private arbitration systems, but equally repelled by slow litigation procedures, owners of small businesses have few attractive options” (Brown 1997 cited in Henry and Springborg 2001, p. 148). Aside from the property system, other problems include the women’s employment participation rates, and access to credit. In Egypt, there has been a defeminization of jobs in the private sector. “In 1988, the proportion of women in Egyptian nongovernmental paid employment was only 15 percent, and it fell to an even lower 10 percent during the 1990s,” and “despite the fact that some disproportionately female jobs grew faster than average, their

defeminization counteracted the effect of this growth, resulting in overall defeminization” (Nabli 2004, p. 84). As mentioned earlier, gender discrimination in wages is common in MENA. In Egypt “discrimination seems to have remained unchanged among wage workers as a group, and within the government, to have increased within state-owned enterprises, and to have decreased within the private sector” (Ibid, p. 104). However, “Egypt experienced a reduction in share of females in the paid labor force in the private sector following a structural adjustment program” (Assaad, 2002 cited in Kabbani and Khotari 2005, p. 39). Another problem Egypt faces in starting a business is access to credit. Getting loans to start a business is not an easy task when the government is heavily bankrupt. “Tax provisions in countries such as Egypt encourage holding government debt over other instruments” so “one unintended consequence has been to limit capital available for relatively efficient small and medium-sized enterprises” (Noland and Pack 2007, p. 126). On the positive note, Egypt has been doing well in the services sector. The recent increase in the number of tourists have made Egypt more attractive to foreign investors. However, Egypt must develop its other sectors so that those will attract FDI as well.

Other problems include not a sufficient amount of trade and use of modern technology. As discussed above, trade plays an important role in the stimulation of entrepreneurial activities. However Egypt’s share in this activity has been declining. “The volume of Egypt’s exports has declined steadily since 1994;” in fact “Egypt’s share of world exports has also declined, from 0.2 percent in 1985 to 0.07 percent in 1995, while its share of world imports has declined from 0.5 percent to 0.2 percent over the same period” (Henry and Springborg 2001, p. 142). Egypt also lags behind in the use of modern technologies. “Although more exposed to global communications than a decade ago, Egyptians are much less well integrated into global communication networks than many of their fellow Arabs” (Ibid, p. 143). This is because “Egypt does not adequately protect intellectual property rights, including those pertaining to computer software,” as a result “software manufacturers lose as much as 98 percent of their potential revenues and are understandably reluctant to make new products available in Egypt and the MENA more generally” (*Middle East Times* June 6-12, 1997 cited in Henry and Springborg 2001, p. 143).

#### *4.2. Tunisia:*

Tunisia is an emerging country in entrepreneurial activity. Over the last several decades Tunisia has experienced a relatively high GDP growth rate of 5.3 percent a year; this is because 42 percent of growth came from capital accumulation, 27 percent from labor, and 32 percent from productivity gains” with capital accumulation being the main driver of this growth (Lahouel 2007, p. 203). In the 1970s “the government developed finance mechanisms that facilitated the creation and growth of small-to-medium size enterprises, particularly in manufacturing, which grew by more than 10 percent annually” (Lahouel 2007, p. 204). Consequently this led to the expansion of the private sector which through tourism created more jobs and heavily reduced poverty. “Tourism has been an important activity, not only as a source of foreign exchange, but also increasingly as an employment generator;” for example, “its share rose from an insignificant level in the 1960s to almost 3 percent of total employment in the second half of the 1990s” (Lahouel 2007, p. 211).

In addition to tourism, other economic activities in this country include construction and manufacturing like clothing and textile where women are mainly employed. However, these activities may not be enough to continue further job creation because “it has created many jobs with little capital, mainly foreign” (*Ibid*). Also, even though job creation has been a major contributor to economic growth and has to a great extent reduced poverty, Tunisia still has a high unemployment rate and workers there earn low wages. One of the main reasons is that “labor legislation is still too protective in Tunisia, considering its level of development, and may have contributed to the relatively high unemployment of around 15 percent of the active labor force over the past 20 years” (*Ibid*, p. 212). There has been an increase in government expenditure to mainly help those with their small-owned businesses. The government’s assistance strategy included “employment in public works, which has recently accounted for about 44 percent of program expenditures; assistance to productive employment and self-employment, accounting for almost 50 percent of expenditures; and training within firms for first-time job seekers” (*Ibid*, p. 214). However, “three of the most important challenges that Tunisia will need to address to sustain its strong pro-poor growth record include reducing high unemployment rates, improving the quality of institutional environment and adapting to changes in the world trading environment, particularly at the European Union (EU)” (*Ibid*, p. 217).

Though successful in tourism, Tunisia faces problems regarding access to credit and insufficient use of its Information and Communications Technology (ICT). Despite these issues, the country has a high level performance in trade. In terms of credit, Fonds de Promotion et de Décentralisation Industrielle (FOPRODI) is Tunisia's lending program established in 1974 for SMEs and for job creation. FOPRODI failed in 1997 because it was not able to sustain itself with low repayment rates (Bechri et. al, 1999). In Tunisia, it is hard to get loans to start a business now with the collapse of this program. In addition, transaction costs are also high. "Should (1) the SMEs not possess the appropriate accounting procedures for use in their loan applications, (2) the costs incurred by banks to verify information provided them by firms be high, or (3) the program itself impose cumbersome procedures, the transaction costs of the loan may become so high relative to the small size of the loan as to make the loan unprofitable, no matter how high the interest rate" (Ibid, p. 295). In operating businesses, Tunisia has low utilization level of its technology sources and this can prevent the enhancement of a business. "Though Tunisia has a strong ICT industry and was the first African and Arab country to have linked to the Internet, the country has lagged behind globally in acquisition, utilization and development of ICT at the user level, in particular as a business, marketing and commercial tool;" also "internet access is relatively expensive and not widely accessible in Tunisia" (CAWTAR and IFC GEM 2007, p. 51). As for trade, in 1997 this activity accounted for 90 percent of Tunisia's GDP due to the country doubling its amount of exports in manufactured goods in the period from 1987 to 1998; this was able to take place as a result of Tunisia's economic reforms and their integration in the global market where trade is considered an important activity for there to be economic growth as opposed to Egypt's restrictions in this and other economic activities (Henry and Springborg 2001).

#### *4.3. Sum Up of Case Studies:*

The population number in the MENA region will continue to increase and with it the unemployment rates particularly for women. High unemployment rates can diminish with high a number of self-employed. "Egypt and Tunisia experienced small declines in unemployment rates and similar demographic trends in the 1990s: the working-age population grew between 2½ and 3 percent a year; participation rates rose; and employment grew slightly faster than the labor force" (Gardner 2003). However there is a reason why the

overall unemployment rates are higher in Egypt. “The main difference between the two countries lies in the labor productivity growth that accompanied job growth: during the 1990s, output per person employed grew by an average of 2 percent a year in Tunisia and 1 percent in Egypt;” “this difference can be ascribed in part to the dominant role played by agriculture and government in Egypt, sectors in which productivity growth tends to be lower” (*Ibid*). For reduced unemployment more women need to participate in the private sector. While in Egypt, the number of women working in the private sector is low, in Tunisia the number is higher. In addition to Tunisia having more liberal economic policies, their women’s increased access to the labor market was achieved “by promoting the growth of sectors that have traditionally been open to female participation, such as textiles and garment manufacturing” (Nabli 2004, p. 85). “Tunisian women business owners are relatively young, with 63% of the survey sample being less than 44 years old. For the majority of the respondents, managing the responsibilities of being a business owner does not prevent them from having a family life (72% of women are married and 56% have more than two children)” (CAWTAR and IFC GEM 2007, p. 52).

Also Tunisia’s successes were in part due to its three innovation processes to modernize the economy. The first phase was during the post independence period (1956-1970) where the focuses were on human resource development and putting in place a national industry; this recognition for the importance education led to more skilled individuals working in the industrial sector (Chaabouni 2008). The second phase continued on what the first phase had started by expanding the education horizons through promoting research and development activities in science and technology and by adding a private sector to the industrial sector to create more employment opportunities (*Ibid*). The third phase consisted of “the launch and implementation of a specific R&D policy” which led to creating the Secretariat of State for Scientific Research and Technology (SERST) in order “to address problems of development in areas such as agriculture, health, industry, energy and the environment;” the third phase also consisted of “the liberalization and restructuring of the economy (1991- to date)” (*Ibid*).

## **5. Conclusion:**

We have learned about the positive correlation between entrepreneurship and economic growth and about Egypt and Tunisia's experiences in this area. The positive correlation between entrepreneurship and economic growth will occur once all political and legal barriers to starting a business are removed and also when citizens are given more rights and power in decision making. "The key to effective growth lies in decentralizing decisions, in empowering citizens and in tapping their ingenuity and their local and tacit knowledge (Klein and Hadjimichael 2003, p. 24). Decentralization will make a market more efficient and encourage more innovative ideas for entrepreneurial activities in different areas and cause for an economy to prosper. "Acts of entrepreneurship create an environment within which innovations build on themselves, leading to continually increasing productivity" (Holcombe 2008, p. 56). As a result, "increasing returns occur because the more entrepreneurial activity an economy exhibits, the more new entrepreneurial opportunities it creates" (Ibid, p. 71). Tunisia has been fairly successful in this aspect mainly in the industrial sector and to some extent the service one. Entrepreneurial activities in these sectors were able to come about because of the reform policies to modernize the economy where importance was given to human capital, technological advancements, development of the industrial sector and the liberalization of the economy. In order to be as successful as Tunisia, Egypt "must create the institutional infrastructure appropriate for the development of entrepreneurship, especially financial legislation" and "must complement these with parallel educational" programs in order "to cultivate entrepreneurial skills at all levels of a given economy, including the non-governmental sector" (Eid 2005, p. 337). However, the creation of the appropriate institutional and infrastructural arrangements can be difficult in Egypt because in traditional economies, a newly heard and developed project such as entrepreneurship may not be accepted. "When economies are organized around traditional lines, people's economic roles are given and there is little possibility for capitalizing on innovation," therefore, these economies "tend not to grow, even when they have substantial endowments of basic factors of production, when they are technologically advanced, and when their population has substantial human capital" (Holcombe 2008, p. 63). Tunisia turned this problem into an opportunity by implementing policies which support women's employment in the textile and clothing manufacture activities which have traditionally been open to them. This promoted

FDI which encouraged job growth in the industrial sector and led to economic growth (UNECA 2005).

Tunisia's recent successes, do not disregard the unemployment rate of around 15 percent. Though more successful than Egypt, Tunisia still lags behind in entrepreneurial activities in respect to other MENA countries and other countries in the world. Therefore, more changes need to take place in this country as well. There was a recent trend of the move from the informal agricultural sector to services and industrial sectors in both Egypt and Tunisia. While Egypt had a higher number of workers particularly women move to the service sector, Tunisia had higher numbers in the industrial sector; this move had workers earn higher wages (*Ibid*). This is insufficient as there needs to be more of a move and a balanced number of workers moving from the informal agricultural sector to the service and industrial sectors so that there would be more of an increase in the number of self-employed and more workers with higher wages. Overall, in the past few decades Tunisia made more reforms than Egypt in policies to have better access to credit, attract FDI and to increase women's participation in entrepreneurial activities. In addition, more liberalization in the economy, openness to trade and fewer regulatory hurdles in starting a business as well as less government fraud have boosted the number of jobs in both the public and private sectors and spurred economic growth. Therefore Egypt can follow Tunisia's lead by realizing the potentials and economic benefits of entrepreneurship and how these prospects will create wealth when the amount of time and bureaucratic procedures to own a business and/or property are minimized.

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