Global Political Context in Entrepreneurial Ecosystems Building: The Case of Morocco

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Abstract. Research on entrepreneurship ecosystems (EE) lacks a political contextual approach, particularly in emerging economies. Morocco is a large country in the MENA region where entrepreneurship activities have been thriving over the past decade. Morocco, a kingdom endowed with many natural resources, has been labeled the “anti-Silicon Valley” for its vibrant but casual entrepreneurial community. This paper investigates the Moroccan EE from an international geo-political perspective to provide a gateway to understand entrepreneurship development in the region. The shaping of the entrepreneurial community in Morocco is also the result of the significant influence of foreign government. The investigation of the significance of foreign assistance as a soft policy tool in a target region or country is lacking in prior EE research. Morocco is a good example since the US foreign policy interests have been translated in significant foreign assistance programs.

Introduction

Entrepreneurial ecosystems is an important and urgent topic that has been investigated by practitioners (Feld 2012; Hermann, Gauthier, Holtschke, Berman, and Marmer 2015), scholars (Ács, Autio, and Szerb 2014; Isenberg 2010), policy makers (OECD 2013), and think tanks (Stangler and Bell-Masterson 2015). As EE activities are coming in from various angles, academic entrepreneurial researchers called for a more holistic and integrative approach to study entrepreneurial activities (Markley, Lyons, and Macke 2015; Stam 2015). To address this gap of knowledge, this paper uses geo-political lenses to investigate the EE of Morocco.

Specifically, there exists a significant role of foreign government and its impact on the local EE formation, but such significant role has yet to be
investigated in the EE literature. The investigation of the significance of foreign assistance as a soft policy tool in a target region or country is lacking in prior EE research. Morocco is a good example since the U.S. foreign policy interests have been translated in significant foreign assistance programs.

In other words, using EE building in a foreign country as a foreign policy tool to influence a country/region (Morocco is an example) has yet to be discussed in the EE literature. Thus, this paper adds new knowledge to EE literature by linking foreign policy agenda with EE activities. The rest of paper will begin with the background of Morocco and brief literature review, followed by U.S. and local entrepreneurial activities in Morocco. The next section analyzes U.S. influence on the Moroccan indigenous EE development. The conclusion includes managerial implications and future research agenda.

### Background and Literature Review

#### Dependency Theory Debate

More than 50 years after its independence, it is obvious Morocco has a special preference for France; however, it is worth pondering on whether U.S. efforts to influence MENA EE could fall under the dependency theory or under neo-colonialism (Wallerstein 2004). Jeffrey Sachs, while highly critical of the Bretton Woods organizations, embraced intervention through his participation in “Millenial Villages” (Sachs, 2006). William Easterly, critical of both the Western financial system (“developing countries are not developing”!) and of Jeffrey Sachs, seems to be on board with helping indigenous entrepreneurs (Easterly 2009). Nobel laureate Joseph Stiglitz, former advisor to President Clinton, lambasts the Western approach to developing economies, even if he did become the Chief Economist at the World Bank (Stiglitz 2002).

#### Morocco’s Geo-political History and Economy

To understand Morocco’s ties with the West in the EE context, we explore recent foreign relations of Morocco. Morocco’s strong ties to the West play a part in the upsurge in entrepreneurial activity in Morocco and generate economic and political benefits (Migdalovitz 2010). Morocco is “…a moderate Arab regime, an ally against terrorism, and a free trade partner. King Mohammed VI … has taken incremental liberalizing steps … In the Middle East, it supports a two-state solution to the Israeli-Palestinian conflict…” (Migdalovitz 2010: 1). Reforms have not, however, stopped migration of the poor, potentially radicalized, youth (Migdalovitz 2010). Morocco imports 97% of its energy needs, prompting the government to invest $9 billion in solar
energy. There is room here for entrepreneurial activity in the solar energy arena (Migdalovitz 2010).

Morocco is seeking membership in the EU, as yet becoming an “associate.” In fact, the European Union is responsible for 73.5% of investment in Morocco, while the Arab world only for 19.3%. As mentioned, there is a large contribution from the U.S. in the form of foreign aid. Morocco has been designated a non–NATO ally by the U.S. government and is one of the 16 partner countries in the EU’s European Neighborhood Policy engaged in bilateral and regional cooperation (Economy of Morocco 2017).

King Mohammed’s and government’s policy of cultivating the West, while garnering economic and military assistance, has not relegated Morocco to rely solely on the West (Encyclopedia of the Nations 2003). King Mohammed VI also maintains close ties with the Arab Maghreb Union (AMU), which includes Algeria, Libya, Tunisia, and Mauritania. King Mohammed wants Jerusalem to be shared among all religions. Although Morocco contributes to the Palestinians, Israeli prime minister Itzhak Rabin visited Morocco in 1993. Morocco could be pivotal in the cause of Middle East peace (Encyclopedia of the Nations 2003).

US Foreign Aid in Morocco

Support from USAID bolstering the EE of Morocco seems in the best interests of both Morocco and the United States. Services and tourism are growing sectors, and tourism and remittances from several million expatriates (mostly in France, Italy, Spain, and Belgium) are a large source of foreign currency. While excessive regulation exists, foreign direct investment is growing, and there is a move toward privatization (Migdalovitz 2010). Foreign direct investment has grown despite excessive red tape and corruption. The current government’s goals are ambitious, looking toward a 6% GDP growth and creating a quarter million jobs by the end of 2018. As just about everywhere, plans have been tempered by the global financial crisis, although farm productivity grew during that period.

U.S. political linkage to Morocco’s EE requires an understanding of USAID and its history. USAID is the primary U.S. agency created by President Kennedy’s Executive Order in 1961 tasked to lift nations out of poverty toward an expanding economy. The stated goal of the agency is to further U.S. interests while improving conditions in the developing world. In other words, USAID promotes economic well-being, human rights, democracy, free markets, finding trading partners, global health, agricultural improvement, education, recovery from conflict and fosters good will. To these ends, USAID spends about one percent of the US budget and is engaged in over 100 countries (USAID 2017).
In the 1980s, the goal of USAID changed from emphasizing food, nutrition, health and education to stabilizing currencies and financial systems. Activities shifted from individual projects to large programs (e.g., Endeavor, created later). By the 1990s, USAID’s top priority was helping countries improve their quality of life. USAID was the lead agency to implement programs following the fall of the Berlin Wall in 1989. USAID helped the transition economies in Central and Eastern Europe develop free market systems and social safety nets. The current focus of USAID is to mobilize investors and capital globally, and to create jobs and business opportunities to help target economies to develop. The agency builds on the assumption that, by growing their economies (e.g., in Africa), these countries are less likely to be germinating beds for terrorist and criminal activities or impacted by terrorists and crime (USAID 2017).

Another USAID effort is the Global Entrepreneurship Program (GEP). The USAID managed program started in 2010, and it aims to support entrepreneurs in Muslim countries (GEP 2017). GEP holds business plan competitions, connects entrepreneurs to capital, creates partnerships between US business schools and schools worldwide and mentor entrepreneurs. The fifth Global Entrepreneurship Summit (GES), an initiative sponsored by GEP, was held in Morocco, after Egypt, Turkey, Dubai, and Malaysia (GEP 2017; Morocco World News 2014). Morocco was selected from 50 other African countries in consideration of the country’s recent significant development, as well as the result of U.S. faith in Morocco as an entrepreneurial example for the rest of Africa.

Foreign Investment in Morocco

Morocco is considered, along with South Africa, the most attractive country for direct foreign investments on the African continent. The Minister of Foreign Affairs and Cooperation, Salaheddine Mezouar, stated that “Morocco is going to target the various countries with the aim of assuring wider participation” (GES Marrakech 2014: 2). GES Marrakech 2014 was attended by over 3,000 entrepreneurs, heads of state, government officials, global heads of businesses, officers of small and medium enterprises (SMEs), and corporate officials. African entrepreneurs promoted and pitched their projects in the "innovation village" and shared ideas on a variety of topics, including water management and alternative energy (GES Marrakech 2014).

The Moroccan government’s investment in hosting GES Marrakech 2014 has apparently borne fruit. Yasmine El Baggari, a Moroccan entrepreneur and founder of Voyaj, an online platform that connects travelers and hosts across the world, outlined the steps the government will take as a result of the summit (El Baggari 2014). Voyaj connects people from various countries and
cultures around the world. One can travel as a guest or welcome as a host to share cultural knowledge and understanding, while developing global communication skills (Voyaj 2017).

**Data**

According to Global Entrepreneurship Monitor (GEM, 2016), at the societal level, Morocco ranks 7th out of the 65 countries surveyed that view entrepreneurship as a good career choice (with 79% of the population having a positive perception). At the individual level, 33% of survey participants admit to fear of failure (rank 42nd out of 65). This translates in 5.6% of citizens who are engaged in startups (i.e., total early-stage entrepreneurial activity rate, hereafter TEA). Entrepreneurial activities of employees are at 0.5% ranking 62 out of 65, and the impact of business service sector rate at 3% resulting in a 62nd ranking for Morocco.

Morocco’s level of primary or secondary education is indexed at 1.21 compared to the MENA level of 1.60. Morocco has a high level of perception of need for new resources when compared to other global markets or MENA. According to this GEM study, Morocco has an “uphill battle,” and government efforts (such as hosting the Global Entrepreneurship Summit, hereafter GES, 2014) have yet to be effective (GEM Morocco Report 2015; GES Marrakech 2014).

<table>
<thead>
<tr>
<th>Table 1: GEM Survey Morocco 2016</th>
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<tr>
<td><strong>Value %</strong></td>
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<td><strong>Self-Perceptions</strong></td>
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<td><strong>Motivations</strong></td>
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<td><strong>Gender Equity</strong></td>
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<td><strong>Societal values</strong></td>
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Entrepreneurship as a Good Career Choice Rate

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In addition to the GEM report, which is based on the polling of the perception of individuals and opinions of experts (based on a sample of 2,061 people in their 2015 report and interviews of 50 experts), we report in Table 2 a list of active entrepreneurial activities that have been covered by the press. In fact, the west coast of Morocco is touted as start-up haven that is a halcyon and an affordable scene to grow a business (Monks 2016). The fishing village of Taghazout, for instance, was rated by as one of the world’s best startup ecosystems on par with Seattle and London, with its strength in linking Morocco and Europe (Monks 2016). Examples of startups in the village include The Blue House (a British incubator), Maptia (from U.K.), and Chiu (local startup). In Casablanca, Rabat, and Tangiers, we also find high profile local entrepreneurial activities and players: Anou, Endeavor, Greendizer, Hidden Founders, Injaz, New Work Lab, Startup Your Life, and The Moroccan Center for Innovation and Social Entrepreneurship. Many of these local entrepreneurial activities are supported by charities from local industry (e.g., OCP Foundation (El Baggari 2014), infrastructure or large-scale Moroccan government sponsored venues (e.g., TechnoPark since 2001), or global non-Moroccan entrepreneur actors or supporters (e.g., AMPION, Central and Eastern Europe Development Institute (CEED), Startup Maroc (sponsored by Startup Nation), and Wamda. A summary of some of these entrepreneurial entities is as follows:

- **AMPION** is a global entity. It has a Pan African agenda and won the “Pan African Awards for Entrepreneurship in Education 2014.” It is famous for its week-long boot camps on AMPION Venture Buses. It also partners with Microsoft on an incubation program.

- **Anou** was founded by Dan Driscoll. It is a platform for Moroccan made art and crafts. It aims to eliminate the middlemen in bringing indigenous art producer directly to market.

- **Endeavor Morocco** is the Moroccan project of Endeavor. Endeavor is a large non-profit international accelerator started by Linda Rottenberg and Peter Kellner in 1997 to support entrepreneurs. They mainly support high-impact entrepreneurs. They are active in the MENA region in general. For Morocco, they supported the Blue House, Omniup (founded by Ali Bensouda).

- In January 2015, Omniup launched “Omniup Ads,” which seeks to patent free Wi-Fi in public spaces and to finance it through advertisements, coming on for a few seconds just before the Wi-Fi. It is the first company of this kind in North Africa and powers more than
900 internet hubs in 12 Moroccan cities and across the Strait of Gibraltar to Spain (Endeavor Morocco 2017; Omnipaq 2017).

- **Hidden Founders** in Rabat assists non-technical founders to move from the early idea stage to the product stage. They pursue accelerators, angel investors, and CTOs which help get a startup past the early, most vulnerable stage of development. In exchange for a 3% stake in the start-up, Hidden Founders provides a contract to help start and develop the project.

- **New Work Lab** is an entrepreneur training entity to connect students to mentors and large companies.

- **Startup Your Life** (SYL) is the brainchild of a returnee, Kenza Lahlou, from San Francisco to help connect Moroccan entrepreneurs domestically and internationally. SYL organizes events, “open cafes,” workshops, and networks. SYL partners with CEED and Wamda.

- **Wamda** is a global accelerator that provides research, advisory services and community development worldwide. While they are not located in Morocco, they have offices in Lebanon, UAE, and Jordan.

### Table 2 Recent High-Profile Entrepreneurial Activities in Morocco

<table>
<thead>
<tr>
<th>Time</th>
<th>Entrepreneurs and their organizations</th>
<th>Founders, Locations, Details</th>
<th>Funding and Source</th>
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<tbody>
<tr>
<td>2007</td>
<td>INJAZ Al-Maghrib</td>
<td>Training program of entrepreneurship to students</td>
<td><a href="https://ma.usembassy.gov/oped-realizing-power-entrepreneurship/">https://ma.usembassy.gov/oped-realizing-power-entrepreneurship/</a></td>
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<tr>
<td>2008</td>
<td>Synergie Media</td>
<td>Youness Quassimi, Dutch and Moroccan web design firm</td>
<td><a href="http://www.moroccotomorrow.org/10-tips-for-moroccan-entrepreneurs-from-a-maroc-web-awards-co-founder/">http://www.moroccotomorrow.org/10-tips-for-moroccan-entrepreneurs-from-a-maroc-web-awards-co-founder/</a></td>
</tr>
<tr>
<td>2010</td>
<td>Geek Ftour</td>
<td>Youseff Es-skouri</td>
<td>Like a TEDx or Startup Weekend. Funded by INWI (3rd largest Moroccan telecom)</td>
</tr>
<tr>
<td>Year</td>
<td>Organization</td>
<td>Location</td>
<td>Description</td>
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<tr>
<td>2013</td>
<td>Startup Your Life</td>
<td></td>
<td>Founder: Kenza Lahlou, Open Cafes series, workshop, network event, partners with CEED, Wamda</td>
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<tr>
<td>2014</td>
<td>Impact Lab</td>
<td></td>
<td>Leyth Zniber, Casablanca</td>
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<tr>
<td>2015</td>
<td>Maptia</td>
<td></td>
<td>Founder: Jonny Miller from U.K.</td>
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<tr>
<td>2015</td>
<td>Anou</td>
<td></td>
<td>Dan Driscoll</td>
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<tr>
<td>n/a</td>
<td>Hidden Founders</td>
<td>Rabat</td>
<td>helps non-tech founders</td>
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<tr>
<td></td>
<td>OCP Foundation</td>
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<td>OCP is a global</td>
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Two five-year U.S. funded programs launched by the Millennium Challenge Corporation have contributed significant development funds: $697.5 million for the first Compact signed in 2007, and $450 million for the second five-year cooperation Compact concluded in 2015. The first compact invested in five project areas based on Morocco’s own national growth strategy. This strategy was designed to modernize industrial sectors and target areas where the country had competitive advantages, such as textiles, agribusiness, fishing, and handicrafts. Compact II aimed at improving the quality of human capital and land productivity.

**Analysis: Tracing USAID and Its Influence in Morocco’s Entrepreneurial Ecosystem**

According to the GEM data, at the individual level, 33% of those surveyed admit to fear of failure (rank 42nd out of 65). This contrasting societal positive perception versus individual perception to entrepreneurship leads to a rather dismal population (5 in a 100 or 5.6%) of citizens who are engaged in startups (i.e., total early-stage entrepreneurial activity rate). Entrepreneurial activities of employees are also surprisingly low at 0.5% ranking 62 out of 65, and the impact of business service sector rate at 3% resulting in a 62nd ranking for Morocco. From the same GEM report, the 50 experts polled concluded that the education system in Morocco must be revamped to increase entrepreneurship and pro-active political measures and new policies are necessary.

In analyzing the activities in Table 2, we traced the sources of funding of entrepreneurial activities in Morocco. We noticed funding came from U.S.
sources with many originated from or linked to United States Agency for International Development (USAID 2017). Examples of such linkage include INJAZ, The Moroccan Center for Innovation and Social Entrepreneurship, Endeavor Morocco, and Startup Your Life.

**Conclusion and Recommendations**

The entrepreneurial ecosystems of Morocco are expanding and show significant potential for growth, especially from the youth population, in the near future. Although incubators, hubs, and summits have helped to strengthen the linkages between those who are creating new ventures for investors, pathways to financing, or even simply completing the formalized paperwork, the high uncertainty avoidance, alongside with the need for connections to the right people at the right time, are still quite essential for entrepreneurial success.

Some of the recommendations for the next 5-10 years for Morocco would be to remain focused on fostering the growth of micro and small enterprises (MSEs) to become small and medium size enterprises (SMEs) in order to support the country’s economic development. To support this initiative, changes need to be made in the regulatory framework, and entrepreneurs should get additional access to capital and more advanced technology. Although many of the new ventures are technology-based, they are only using low to medium-level technologies, not allowing for growth in doing business across borders due to the inability to meet the needs of larger corporations.

More significantly, more focus needs to be placed on entrepreneurial education across all levels of society. Inroads have been made in certain towns outside the major cities, but, for the most part, activities, funding, and encouragement and placement of incubators are only found at private institutions where the attendees are wealthier. As long as the entrepreneurial mindset is limited in its developments, there will be limitations for its growth in all sectors of society. Finally, focus on youth education and on fostering the culture of entrepreneurship, along with improving the regulatory environment and diversifying finance sources, will contribute to the sustainable development of entrepreneurial ecosystems in Morocco.

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