Supporting Entrepreneurial Aspirations in Libya –
A short Analysis of Libya’s Entrepreneurship Ecosystem

❖ Background: Libya’s current economic situation
Besides being an economy highly dependent on the oil and gas sector, it is especially Libya’s public sector that employs the country’s vast majority of workforce. ¹
On the contrary, the private sector is comparatively small and can be characterised as rather informal. Even though some efforts towards creating a more private sector – oriented economy have already occurred, there are still significant difficulties in actively supporting these aspirations in the emerging private sector. ²
However, this would be of upmost importance since a well functioning private sector contributes to an encouraging business environment, which in turn fosters entrepreneurship.

❖ What is entrepreneurship and why is it important for Libya?
The term “entrepreneurship” entails a broad variety of definitions and approaches in related literature. Despite all different points of view, there is general agreement in entrepreneurial research that entrepreneurship fosters economic growth, creates new jobs opportunities and generates prosperity in an economy. ³
In addition to launching new products and services, entrepreneurial activities support innovation and are capable to effect social change. ⁴
In the case of Libya, a further crucial point is that entrepreneurship with its above mentioned abilities can be a key driver in the upcoming peace building – and stabilisation process, as shown by the example of some other conflict-affected states. ⁵

⁴ See Woolley, Jennifer (2017), p.1
Entrepreneurship Ecosystem and Entrepreneurial Framework Conditions

The concept of an Entrepreneurship Ecosystem [EE] has gained increasing interest in entrepreneurship research and is considered to represent the framework conditions in a defined area which either foster or hamper entrepreneurial activity in that environment. In the case of creating a new business, entrepreneurs are especially dependent on financial, scientific, educational and governmental institutions. In the context of an EE, entrepreneurship is mostly understood as a location-dependent phenomenon, whose components apply to a regional level. There have been several suggestions in literature about which these components are. Figure 1 represents a sample of the EE’s basic components.

![Figure 1: Components of an Entrepreneurship Ecosystem. (Mazzarol 2014)](image)

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6 See Faghih, Nezameddin and Zali, Mohammad Reza (2018) p.1
7 See Stam, Erik (2019), p.3
8 See Woolley, Jennifer (2017), pp.11-12; Faghih, Nezameddin and Zali, Mohammad Reza (2018), p.1
Similarly, the Global Entrepreneurship Monitor [GEM] research project refers to nine basic Entrepreneurial Framework Conditions [EFCs], which have to be available in an entrepreneur’s environment in order to enable entrepreneurial success in the form of new business creation and growth. Consequently, as the given EFCs may differ from country to country, the level of entrepreneurial activity in a country depends, among others, on the quality of the respective EFCs in that country.  

![Figure 2: The nine entrepreneurial framework conditions. (GEM Bulgaria 2019)](image)

- **Analyzing Libya’s Entrepreneurship Ecosystem components**

  Considering Libya’s recent EE and taking the most essential EFCs into account, it has been found that the existing physical infrastructure, internal market-dynamics and commercial infrastructure are comparatively good developed in relation to the other ECFs and therefore represent Libya’s EE’s most favourable conditions.

  In line with the findings of the 2013 GEM report, the most unfavourable conditions in Libya with respect to supporting entrepreneurship and creating a well functioning EE can be find in the field of entrepreneurship education, government programmes as well as research and development transfer.  

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11 [https://gemorg.bg/the-nine-entrepreneurial-framework-conditions/](https://gemorg.bg/the-nine-entrepreneurial-framework-conditions/)
development [R&D] transfer. 12
In the following, these three unfavourable conditions will be looked at in more detail.

1. Entrepreneurship education

Regarding the importance of entrepreneurship education as a source of potential nascent
entrepreneurs, it can be said that due to Libya’s general low educational attainment also
entrepreneurship-related courses are very limited and rather poor in quality. 13
A higher level of education and knowledge in general has an increasing impact on cognitive
ability, which in turn fosters entrepreneurial opportunity recognition and exploitation. 14
Besides that, tailored entrepreneurship training programs in particularly higher education
institutions could be effective in promoting entrepreneurship as a career path and, even more
importantly, provide the essential skills and knowledge that are required to manage a
business. 15

2. R&D transfer

Similar to that, also R&D activities are weak in terms of not effectively transferring
technological and scientific knowledge from universities and research institutes to emerging
businesses. This refers especially to technology transfers as a result of a general lack in
technological advance in Libya’s current EE. 16
However, especially scientific and technological knowledge is of high importance as it
enables emerging entrepreneurs to access relevant information in order to take on
opportunities. 17

3. Government programs

Even though there is a national SME program existing in Libya, governmental aid programs
that aim at fostering and encouraging entrepreneurship in the country are poorly represented
and if available do not work effectively. As a consequence, potential entrepreneurs are
struggling to find support with putting their entrepreneurial ideas into practice. 18
As one of the state’s highest institutions, a country’s government has an impact on policies

Nasiri, Niloofar and Hamelin, Nicholas (2018), p. 59
17 See Woolley, Jennifer (2017), p.3
that either ease or complicate business creation. The majority of countries worldwide have entrepreneurship fostering governmental initiatives such as programs that provide business loans as well as tighter protection legislation regarding intellectual properties and insolvency. 19 Entrepreneurship expert Daniel Isenberg (2010) points to the major role governmental aid has recently played in a remarkable increase of successful entrepreneurial growth in several national economies. 20

Future of entrepreneurship in Libya
As a result of Libya’s overall low level regarding the ECFs, many possible entrepreneurial opportunities have not been exploited yet. There are still enough economic, political, social and cultural obstacles, which make it hard for Libyan labourers to launch their career in the private sector. 21 The final question regarding the future of entrepreneurship in Libya is how an effective change in the current state of Libya’s EFCs can be achieved.

Policy implications for Libya
First of all, especially the government’s action is required in order to create an encouraging business environment. 22
In this respect, one crucial point is that there is a lack of public story sharing about successful entrepreneurs in Libya. 23 However, the acknowledgment of entrepreneurial success by public bodies like governments has high potential to encourage entrepreneurial activities among the population. 24

Another point is that the Libyan government should develop policies that benefit the Libyan EE and consequently ease the process of business creation. Regarding this aspect, particular attention should be paid to the current legal and institutional conditions in Libya. 25

19 See Woolley, Jennifer (2017), pp.7-8
20 See Isenberg, Daniel (2010), pp.2-3
22 See Gunto, Mustafa et al. (2013), p. 1527
As institutions of high quality are usually determined by income distribution, a functioning tax system, high educational standards as well as the principle of legality, these institutions provide a predictable environment, which in turn induces entrepreneurial activity with high social return.  

Furthermore, apart from the institutional framework, the Libyan government should work on providing a wider range of initiatives that support entrepreneurial aspirations. Those include independent agents that supply entrepreneurs with resources, such as information, training and business consulting. Also financial intermediaries like banks, leasing companies and private equity firms should be taken into consideration.

Finally, and above all, Libya’s current education system needs to be reformed in many aspects. Libyan students need to have the possibility to acquire all the necessary skills and key competencies required in the labour market from an early stage on. This also includes entrepreneurship training and related lectures in order to prepare students as intensively as possible and encourage them to pursue an entrepreneurial career.

Taking all these factors into consideration, a possible way to tackle the entrepreneurial challenges Libya is facing could be to put more emphasis on the ECFs of Libya’s Entrepreneurship Ecosystem, as they may serve as a starting point for understanding entrepreneurship and its requirements as a whole in a complex environment.

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26 See Alonso, José Antonio and Garcimartín, Carlos (2013), pp. 207-209
27 See Gruno, Mustafa et al. (2013), p. 1528
28 See Bastian, Bettina and Zali, Mohammad Reza (2016), p. 165
29 See Rezaei, Shahamak et al. (2018), p. 36
List of abbreviations

EE = Entrepreneurship Ecosystem
EFCSs = Entrepreneurial Framework Conditions
GEM = Global Entrepreneurship Monitor
pp = Pages
R&D = Research and Development

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Figure 1: “Entrepreneurial Ecosystem.” Mazzarol (2014)

Figure 2: GEM Bulgaria (2019) https://gemorg.bg/the-nine-entrepreneurial-framework-conditions/
Biography

Melanie Susan Will is an undergraduate student of International Relations and Management at Regensburg University of Applied Sciences, Germany. She is particularly interested in the MENA region, whereby her study program provides her with the essential knowledge in the respective political, economic, business and socio-cultural domains in order to develop a deep understanding of international connections. In this regard, she is also studying the Arabic language.

Prior to her studies, she has already worked as an intern for an international hotel company in Greece and volunteered in Indonesia. Besides pursuing her bachelor’s degree, she likes to work with refugees and learn about new cultures.

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