



**The European Union's project for ENP South Countries
EUROPEAID/133918/C/SER/MULTI**

**Enhancement of the Business Environment in the
Southern Mediterranean**

National Seminar for Palestine

Promoting a Culture of Innovation

Principle 8 of the Small Business Act for Europe

Ramallah, 29th & 30th October 2014



This project is financed
By the European Union



A project implemented by
GIZ IS and Eurecna

Disclaimer

This report has been prepared with financial assistance from the European Commission. The opinions expressed herein are those of the authors and may not represent the position of the Commission.

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1. Introduction

On the 29th and 30th of October 2014 a strategic seminar entitled “Promoting a Culture of Innovation” was delivered to a select group of policy makers, enterprise and innovation stakeholders in Ramallah, Palestine within the framework of the “Enhancement of the Business Environment in the Southern Mediterranean” project (henceforth referred to as the EBESM project).

The seminar was organised to support the Palestinian Authority in implementing reforms in the area of Innovation, as identified in the report “*SME Policy Index: The Mediterranean Middle East and North Africa 2014, Implementation of the Small Business Act for Europe*”, which assessed SME policies in Palestine and eight other economies in the Mediterranean region (MED). The assessment, conducted in the framework of the Euro-Mediterranean industrial co-operation process, was based on the “Small Business Act” for Europe (SBA), a comprehensive SME policy framework adopted by the European Union (EU) to promote SMEs.

The seminar program focused on five main themes: (i) Innovation Policy; (ii) Financing Innovation; (iii) Entrepreneurship and Culture of Innovation; (iv) SME and University/Research Cooperation; and (v) Communication Strategy.

Drawing on practical experience of selected EU and MED countries in developing innovation systems for SMEs, the seminar’s methodology focussed initially in the morning sessions on presenting a theoretical background and contextual good practices to propose possible models suitable for Palestine’s situation. In the afternoons, the focus was on policy dialogue, discussion and brainstorming in workshops dedicated to identifying Palestine’s specific opportunities and challenges in developing an innovation system using the SWOT Analysis and identifying recommendations which would improve Palestine innovation capacity.

The workshop ran for two days and the programme presented eight training sessions each of which focused on a specific topic with concrete, immediate and actionable relevance to Palestine’s SMEs and their capacity to innovate.

Four participative workshops were organised as well, jointly moderated by project experts, and used the results of topic-specific SWOT analysis to generate ideas and proposals that Palestine could adopt, apply or create, with the objective of encouraging policy reforms stimulating and facilitating innovation. The recommendations compiled in this report summarise and synthesise the results of this collective work.

In order to encourage change and adaptation, the seminar provides additional reading material and concept papers, a list of relevant links for further research and to access innovation and entrepreneurship tools and reference organisations.

2. Seminar Objectives

This training seminar sought to enhance the capacity of government officials and representatives from the private sector and civil society at large (e.g. academia, NGOs, etc.) to fully understand the selected SMEs policy issues, allowing them to enhance its implementation on a more informed basis. More specifically, and based on the assessment carried out, the training provided better understanding of principle 8.2 of the SBA, identified

the main challenges and constraints encountered in its development and explored actions and policies needed to enhance its implementation.

The specific objectives of this seminar were to:

- Enhance participants' analytical and decision-making capacity in the area of innovation;
- Enhance participants' knowledge on effective policies to implement in the selected area;
- Assess the situation and discuss emerging policy solutions by setting objectives and priorities, integrating actions, involving stakeholders; and
- Promote an interactive dialogue between different players in order to feed policy making process.

3. Participants

This event brought together over 40 top-level policy makers, representatives from public authorities and business associations, to discuss ways of improving the innovation system in Palestine. The organisations included Ministry of National Economy, Ministry of Telecommunications and Information Technology, Higher Council for Innovation and Excellence, Palestine Investment Promotion Agency, Federation of Chambers of Commerce, Industry and Agriculture, Private Sector Development Cluster Project, Jerusalem District Electricity Company, Palestine Trade Centre as well as universities, business associations, enterprise representatives, entrepreneurs, NGOs and students. The grouping was weighted toward the public sector but the contributions and observations of the private sector were robust and critically well-received.

4. Seminar Overview

Overall the seminar was very well received with many participants confirming the content and approach as excellent. There was general agreement that the participative and discursive nature where attendees interacted continuously with experts both throughout the presentations and workshops was insightful and practical and the opportunity to hear and discuss the views of a broader spectrum of the innovation stakeholder community i.e. peers contributed significantly to progression of the recommendations.

The ultimate purpose of the presentations and consecutive workshops was not simply to share and transfer knowledge and expertise, but more to collect from the participants their perceptions of the manner in which Palestine should address the issues of entrepreneurship and innovation and the potential ways of improving its capacity to innovate and create new businesses. These are complex issues which revolve not only around policies and financing but also around culture, collaboration and cooperation. They also through education and communication endeavour to promote individual interest in and willingness to consider enterprise as a career choice and innovation as the means of competitive advantage.

While an optimum strategy and policy did not emerge from the debate, the seminar did identify a high degree of consensus on a number of Palestinian specific SME needs and of approaches in terms of both policy and initiatives both public and private which could potentially alleviate impediments and promote an innovation stimulating and facilitating environment in Palestine.

The SWOT workshops and discussions clearly pointed to the importance and urgency of better service integration and improved collaboration - between all the country's economic

actors - to facilitate a more innovative SME community in Palestine. A further strong consensus to emerge was that participants wanted “real follow-up” to the seminars in a practical way which would result in real actions rather than just another talking shop of what should happen. They want to see the recommendations and approaches implemented.

4.1 Topics discussed

4.1.1 Overview of SBA Principle 8.2

The opening session was dedicated to establishing a preliminary basis for the seminar and the presentations to follow. An overview of Principle 8.2, its different sub-dimensions, linkages to the other principles of the SBA, importance to SMEs development, etc. was discussed with the participants. As well, the results of the SBA assessment related to this principle in Palestine were presented.

4.1.2 Institutional and Innovation Frameworks Status in Palestine

The state of play in Palestine regarding the current economic situation and challenges in general and the innovation eco-system, available legal framework and policies in specific were discussed during this session. The main pillars of the knowledge-based-economy were explained as well as the pillars of “innovation” including related policies. The presentation also discussed the legal and institutional framework and initiatives related to innovation as well as the fragmented efforts which are implemented on an ad-hoc basis and some sectorial policies. Examples of the existing supports including business incubators, accelerators, Venture Capital (VC), Centres of Excellence and others were listed.

Finally, the following main challenges were discussed and explained:

- A complete framework supporting innovation in SMEs is not yet developed;
- Lack of progress in developing public policies supporting private enterprises;
- Lack of public Research and Development (R&D) grants and incentives to the private sector to contribute to R&D spending;
- Weak progress in financing SMEs and access to finance as well as the culture of business angel and investment in SMEs;
- Lack of provision or standards of specialised services delivered by related entities;
- There is also an issue in accessing of information and Monitoring and Evaluation (M&E) measures and follow up systems to promote innovation impact;
- Weak coordination and collaboration among different players on the scene including private, public and academia sectors.

In addition, the education system specific to innovation was described including the available training courses on entrepreneurship and innovation delivered by organisations outside the formal education system. Challenges in the educational system include (i) the lack of innovation and entrepreneurship culture; (ii) policies and incentives as well as lifelong entrepreneurship learning (iii) applied research, commercialisation, intellectual property rights (IPR), licensing and patenting culture is still weak; and (iv) co-operation across various levels of education, among higher education institutions and links with the world of enterprise from one side and the public sector from another. This will not be achieved without a sustainable funding model.

4.1.3 Status of Financing Innovation in Palestine

The state of play in Palestine with regards to innovating SMEs access to finance and challenges was discussed during this session. It included an introduction on the situation of SME's in Palestine, and the main challenges that impede SME innovation and growth..

Despite the political and economic situation, insufficient financial resources at start-up and for growth at later stages, coupled with a difficulty in accessing the needed financing have proved to be significant obstacles for Palestinian SMEs.

Moreover, SMEs innovating are faced with other challenges which have hindered their ability to grow and develop including: (i) lack of export orientation and capacity; (ii) limited use of modern managerial, marketing and financial concepts; and (iii) lack of government support and a national strategy to develop this sector¹. Most innovative SMEs, however, lack access to capital and financing from local finance institutions and are generally unable to satisfy lender collateral requirements, resulting in no credit access or insufficient loan sizes that do not meet the capital needs of borrowers.

The session presented as well, main financing key players and challenges for SMEs Innovation access to finance, as follows:

- Challenges to finance Innovation through VCs and Incubators
 - Inability to secure initial funding for early-stage ventures due to the high risk and immature business idea (strong bias for finance for expansion);
 - Absence of national plan/lack of a policy framework for SMEs innovation to fund their innovation initiatives and programs; and
 - Most incubation and accelerators depends on the donor funding to sustain their activities (limited impact and return on investment);
- Challenges to finance Innovation through Banks and Microfinance Institutions:
 - Due to the unstable political climate, banks are very conservative and demand excessive collateral (often up to 130% - 200%);
 - Despite significant liquidity at banks, the role of banks in providing financing for SMEs has been limited;
 - The need to tailor Credit Guarantee Program to innovating SMEs;
 - Access to suitable finance at Microfinance Institutions is heavily constrained for young people in Palestine, who are unable to provide guarantees or are not employed; and
 - The size of micro-finance loans is unsuitable to the cost of starting a business and self-financing is rarely an option

4.1.4 Innovation Policy and Strategy

This session focused on successful policies and strategies to boost innovation. After defining the concept of innovation, the role of policy-makers to boost innovation and type of supportive policies were presented.. The concept of innovation eco-system depicting the various actors and their roles was also discussed. Special attention was given to the roles the government, the private sector as well as the research and educational institutions can play in initialising and promoting innovation. The theoretical concepts were presented also through concrete good practice examples adopted by Sweden (VINNOVA), Germany (ZIM Programme), Tunisia and Lebanon.

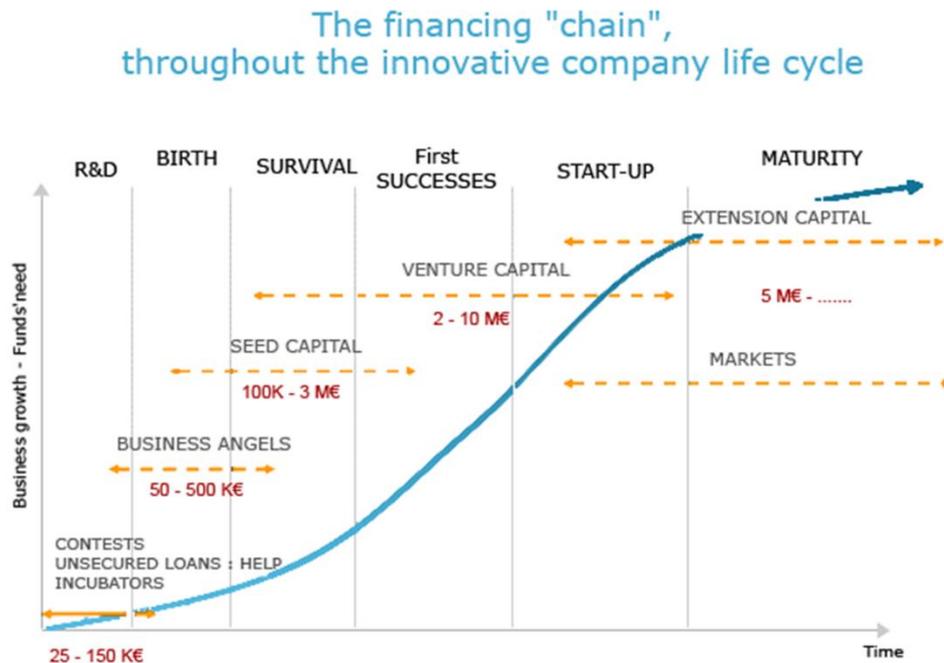
4.1.5 Innovation Financing Instruments and Schemes

This session started with the presentation of the 'Financial chain' for start-ups (see the figure below) and an explanation on the type of funding needed at each stage of the development of an SME. A classification of financing instruments provided by the Government (such as direct, indirect support and subsidies) as well as private sector actors (angel investment, diaspora, VCs) was discussed. Special attention was given to the new financing instruments such as crowd-funding and social impact investments. Various financial schemes x

¹ Source: Financing Palestinians SME, Palestine Economic Research Institute (MAS)

developed by the European Commission and a new Research and Innovation Programme 'Horizon2020' (InnovFin) were presented. The theoretical framework was supported by practical examples in Belgium (SocialeInnovatieFabriek) and Lebanon (Kafalat).

Figure 1: The Financing Chain throughout the Innovative Company Life Cycle



Source: The Financing Cycle, National Congress of Business Angels in France (2011),

4.1.6 Entrepreneurship and Culture of Innovation

This session focussed on the importance and need for entrepreneurship and innovation as both a toll of economic development and job creation. Clearly, job creation is a fundamental issue in Palestine and the MED region generally where an estimated 28 million new jobs are needed just to maintain unemployment at its current levels. New and innovating firms invest more and create more jobs particularly in their first year. They attract resources to new activities, and when they prosper and are able to grow rapidly, they generate significant numbers of new jobs as has been demonstrated in the US where research of job data by the Kaufman Foundation into the role of start-ups shows that while on average existing businesses in the US lost one million jobs per year over the period since data records began (1999) new enterprises created 3 million in their start-up year². The role of innovation and new firm creation are critical to the future of Palestine which must create a culture of innovation which stimulates new innovative enterprise creation and facilitates the development and adoption of innovative approaches in existing businesses. The presentation offered a three level approach: at the macro overall environment where policies are deployed, the meso level of the Ecosystem of Enterprise and the interaction of Culture, Business Environment, Innovation, Access to Finance, Entrepreneurial Networks and Market Access and finally Micro where the support and initiatives which will stimulate and facilitate innovation and the creation, development, growth and internationalisation of innovative enterprises are implemented. As part of this element a framework was presented through

²Importance of Start-Ups in Job Creation and Job Destruction (Kaufman Foundation) http://www.kauffman.org/~media/kauffman_org/research%20reports%20and%20covers/2010/07/firm_formation_importance_of_startups.pdf

which policies actions and programmes can be developed to address identified impediments and market failures. Additionally a second framework within which the relevant potential support services and financial schemes Both frameworks were presented in the middle of the first afternoon workshop in order to allow participants to use them in the context of policy development and structuring financial instruments.

4.1.7 SMEs and Research Institute/University Cooperation

This session presented models for improving the relationship between research and enterprise. The gap and impediments are well recognised and potential value of improved collaboration acknowledged but bridging the gap requires a systemic approach which builds an integrated, flexible and sustainable alignment of shared core values. This requires policies and initiatives that put Enterprise and SMEs at the heart of innovation and recognises them as the conduit to both inform, stimulate and realise new valuable ideas. Demonstrating examples of good practice from UK (ISIS Innovation), Ireland and Belgium (IMinds) promoted the concept of Innovation vouchers as a very successful and low cost approach to building these collaborative relationships. Innovation vouchers are extant in 25 European countries and are a government support initiative which enables SMEs to buy specialist support from knowledge-based institutions to help in the development of new products, services and processes. They build “persistent” links between the research institutions and enterprise which benefit both entities. Provide an incentive for (public) knowledge institutions to tailor knowledge more specifically to demand and for a relatively small sum of state money have a significant impact.

4.1.8 Promoting Cooperation on Innovation

This presentation focussed on the various models which can be deployed and/or supported to build nationally and internationally cooperation in innovation. It outlined the type’s industry to industry, industry to academia, academia to academia, clusters (poles of excellence & poles of competitiveness), innovation centres and social networks with examples on how they influence and stimulate innovation. It demonstrated the advantages such as potential for increased scale and scope of projects, shared risks and costs, learning synergies and enhancement, multiplier effects,; flexibility effectiveness and efficiencies as well as the reduction in lifecycle. It also introduced the concept of Open Innovation as against Closed Innovation, a concept which was unknown to the participants and its benefits recognised while the SWOT demonstrated the lack of such openness as one of the primary impediments to innovation. Examples of good practice included Innovation Networks Denmark, EDAMA from Jordan, Skillnets from Ireland and the broader EU networks such as the European Enterprise Network (EEN), the European Business and Innovation Centre Network (EBN), etc. The session aimed at building awareness of the potentially large range of cooperation networks that could be deployed within Palestine through example demonstrate the ease with which they could be initiated.

4.1.8 Innovation Communication Strategies

A key feature of innovation is its high sensitivity to interaction and exchange, this with more speed. Communication is an important element to promote and disseminate the culture of innovation. Communication has thus become a strategic element for the commercial success of innovations.

We do not communicate in the same way on an innovative product as on a classic product:

the media thus are used as partners in this process and are more open, interactive and diffuse. They also mobilise social networks such as LinkedIn, Twitter, Facebook, etc.

Similarly States communicate on their support policies for innovation.

This session aimed to explore and demonstrate effective communication strategies of innovation at the state and firm level. It established the communication targets at both levels and proposed a methodological guide for designing and implementing a multimedia campaign. It also outlined the communication approach and benefits at the firm level and how important good communications were in building innovation as a core competence. It highlighted planning and tools which together with standards and guidelines reinforces the innovation perspective to both internal and external stakeholders and tied it in strongly with the previously discussed Open Innovation concept.

This session presented as well five key principles for the effective management of innovation communication, namely: Strategic Communication Management, Intelligent Information Management, Stakeholder Relationship Management, and Design and Capabilities Management. Good practice examples were presented at the state level, including the Nord Pas de Calais region (France) Luxembourg and the Ministry of Economy & Competition (Spain) portals for Innovation and Research, and Bpifrance and Apple at the firm level.

4.2 Workshops

In each of the afternoons of the two day seminar, interactive and participatory workshops were held where, in parallel, representative groups of the participants' addressed specific topics from the morning sessions to build a SWOT of the situation relative to the subject within Palestine and to propose a set of recommendations and actions. The workshop topics were as follows:

Wednesday 29th October

1. Innovation Policy and Strategy
2. Innovation Finance and Financing Instruments

Thursday 30th October

3. Entrepreneurship and Culture of Innovation
4. Innovation Cooperation and Collaboration
5. Innovation Communication Strategies

4.2.1 Innovation Policy and Strategy – SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Willingness at Government and SMEs to innovate and promote innovation • Existing institution (Higher Council) charged with addressing and developing innovation structures • Strong universities exist with capability to develop ideas and also skills • Availability of many relevant institutions at local level to facilitate innovation initiative dissemination • Palestine is a young society with a bright dynamic youth population • High-skilled and educated workforce 	<ul style="list-style-type: none"> • Mind-set and disorder • Lack of tools for innovation • Internal working environment is not conducive to innovation realisation • Educational system and approach to R&D is poor in terms of innovation • Lack of communication and understanding between the parties / stakeholders i.e. major disconnect • Lack of legal framework and infrastructure • Poor awareness of and understanding of Innovation, types, how it emerges and how it should be supported • Lack of incentives for firms or

	<ul style="list-style-type: none"> researchers to innovate Lack of national funding schemes and only access to project-funding e.g. from donors and hence not sustainable
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> NGOs and Institutions willing to help Tools to help implementation of innovation Diaspora which can be a source of idea, FDI and seed equity 	<ul style="list-style-type: none"> Brain drain young people continue to leave Governance issues although not as bad as other regional economies The Political issue with Israel which overshadows everything IP Law Donors [Easy money]

The SWOT has shown that there has been a positive shift, over the last 24 months but the group have identified a large number of weaknesses – for examples the overall mind-set and awareness over innovation as well as lack of the framework to promote it within the educational and research systems. On the positive side there is large number of organisations and tools available to support the move. The core focus thought should be on awareness raising, streamlining innovation and creating an enabling framework to promote innovation. During this interactive session (including morning presentations), many enquiries and comments were raised by the participants, as follows:

- Many of the participants especially those representing the private sector agreed that “poor governance” is one of the major obstacles against healthy innovation and SMEs culture and environment in Palestine;
- Some of the participants among the public and semi-public organisations believe that the absence of a national entrepreneurship strategy and innovation policies lead to fragmented efforts and duplications;
- All agreed that a proper communication system, publicity, dissemination of information, cooperation and collaboration is the right way toward real partnership between the public, private and academia sectors;
- The gap between the education system (universities) and the private sector is a real issue which needs to be solved. The education system is not supporting innovation and R&D culture.

Participants noticed that most of the supports are centralised in Ramallah and many are supporting the IT sectors while innovation is not only about IT. More incubators should be established in other districts and sectors, such as the Energy Incubator, recently launched.

4.2.2 Innovation Finance and Financing Instruments – SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Availability of database on access to finance Skilled and educated youth, women and population in general Advanced telecommunications infrastructure Palestinian Monetary Authority set of laws and regulations Availability of VCs and other finance players 	<ul style="list-style-type: none"> 60% of SMEs are from informal sector because of a lack of a proper financing sector Science and Technology focus of finance Culture and religion Lack of collateral/guarantees from SMEs Lack of national strategy Lack of business incubators and framework Lack of communication and awareness Limited grants for innovators
Opportunities	Threats
<ul style="list-style-type: none"> High liquidity 	<ul style="list-style-type: none"> Political context

<ul style="list-style-type: none"> • Diaspora • Innovative lending tools (Islamic Funding) • Availability of donors • Existing projects 	<ul style="list-style-type: none"> • Economy is donor-driven
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The SWOT has clearly shown the lack of structural approach in Palestine to finance SMEs, many of which are in the informal sector. Though there are many existing projects which can provide some support to SMEs, currently the main players in the market are the banks. Their rules and procedures however, are strict and demand collateral and solid guarantees. Donors and especially diaspora can play an important role in providing finance especially at the early stage for SMEs. There is a clear need for a better awareness on the existing mechanisms and also clarification what new financing tools such as Islamic finance can bring to Palestinian SMEs and start-ups.

During the session, questions and concerns were raised by the participants, as summarised below:

- Consensus among the participants for SMEs is the key role to alleviate poverty;
- The "informality" of SMEs and lack of financial records impede banks/ Microfinance Institutions in providing the required financing;
- Immature or undeveloped business ideas and lack of history is also a burden for obtaining credit;
- Immediate need to design new financing tools that are suitable for SMEs Innovation (in line with good practices). The state of play of financing is limited.

4.2.3 Entrepreneurship and Culture of Innovation – SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Palestinians have a strong sense of Ego (Inner Motivation) • There is a tendency towards Higher Education as part of developing career options which means that a high percentage of young people have 3rd level qualifications • Ability to Create/Make Change i.e. the people are open to and able to create change • There is a culture of diversity and acceptance of new ideas and situations • Palestine is integrated with MENA 	<ul style="list-style-type: none"> • Traditional Thinking • Lack of awareness of innovation • Limited networks and communication • Tendency to have secured income • Monopoly (Control) within SME Environment • Lack of teamwork • No appreciation of Intellectual Property (IP) rights • No incentives for Innovation • Absence of M&E
Opportunities	Threats
<ul style="list-style-type: none"> • Globalisation • Trend towards Arabic content • Innovative branding toward culture Heritage etc 	<ul style="list-style-type: none"> • Instability of the economic and political environment • Poor governance

- There was consensus that creating a Culture of Innovation that supports innovative entrepreneurial activity is vitally important for Palestine. There is however no Innovation policy or strategy and this was perceived by the participants as being a significant impediment leading to fragmentation and duplication of effort within the public sector.

- The political situation still remains the main obstacle to innovation and economic development. Yet, despite this, there is significant local commitment and endeavour to build Palestine as knowledge and innovation-led economy.
- Palestine is not measured in the Global Innovation Index or by WIPO generally. However, the ICT sector has seen rapid growth. Cisco, in 2012, was predicting it as a major future ICT hotspot³ having grown from 0.8% of GDP in 2008 to 8% in 2012 ensuring its place as a discrete economic sector which demonstrates the potential of the Palestinian economy in high technology sectors and in building innovative SMEs.
- Although Palestine is in close proximity to strong regional and global markets this was not seen as a strength given the stranglehold that Israel has over exports and its ability to shut them down at will.

4.2.4 Innovation Cooperation and Collaboration

Strengths	Weaknesses
<ul style="list-style-type: none"> • Palestine has a strong dialogue platform • There is positive competition between institutions • A number of innovation centres exist • PMBP programme and others • Existence of clusters • Successful graduation projects • Willingness to cooperate • Legislative Council for Innovation 	<ul style="list-style-type: none"> • Individualism mind-set that precludes or at least inhibits innovation • Lack of applied R&D • No place to meet to cooperation • No policy or national grants • Lack of business / legal skills • Lack of leadership • Ineffectiveness of dialogue • Overlapping between donors leading to duplication • Slow system for new products
Opportunities	Threats
<ul style="list-style-type: none"> • Economic Intelligence System • Potential from private companies • MED Regional Cooperation • New mechanism for Dialogue • Corporate Social Responsibility from private sector • Social networks (FB etc) • Presence of donors • EU & other Donor funding such as Horizon 2020 and others • Communication and culture of innovation 	<ul style="list-style-type: none"> • Closed market • Political issue • Conflict of interest (manufacturers and importers) • IP International exclusion (WIPO)

- Participants see more weaknesses than strengths in this arena and see a strong need to have a focal point for coordination;
- They would like to see a centralised IT platform for information and knowledge sharing;
- Encouragement by donors of cooperation through programmes and incentives exists;
- A national awareness campaign initiating cooperation between institutions and establishing networks is strongly needed.

³http://missionmeasurement.com/uploads/documents/Cisco_Pioneers_Market_Development_Approach_in_Palestine_-_White_Paper_by_Mission_Measurement.pdf

4.2.5 Innovation Communication Strategies – SWOT Analysis

Strength	Weaknesses
<ul style="list-style-type: none"> • Existence of public/private dialogue • Availability of media; including social media • Availability of communication tools in universities and local institutions • Strong tele-communication infrastructure • Availability of local institutions for communication • Strength in other languages than Arabic e.g. English • Private sector impact on the Palestinian economy • Success stories in innovation • Percentage of youth in Palestine is high 	<ul style="list-style-type: none"> • Cultural barriers e.g. gender, management {top down approach-retention of information}; • Lack of communication for innovation and success stories in different media • Conservative education at home. • Lack of portal {one stop shop} • Lack of communication between stakeholders from innovation sector; • Lack of communication between public, academia and private sector; • Education system issues in teaching the usage of social media and communication.
Opportunities	Threats
<ul style="list-style-type: none"> • Availability of donors to develop communication strategy and tools for innovation; • The design of competitiveness and innovation strategies that will include communication • Diaspora willing to invest in innovative ideas. 	<ul style="list-style-type: none"> • Political situation; • Exploring innovative ideas; • Brain drain, if we can't fix innovative ideas and motivation through communication: • If lack of communication strategies on innovation from Palestine, outsiders will develop it instead.

- There appears to be a general consensus that Palestine has much strength to build on in this area particularly in its success stories in innovation.
- But that a general lack of dialogue and communications between innovation stakeholders needs to be addressed by policy makers and potentially donors who can supply technical assistance to build communication capability and to design and implement a communication strategy on innovation.
- A general feeling that the Diaspora could be a major link/player in this regard.

5. Seminar Summary

The presentations in addition to the workshops were participative and interactive with lively debate at all stages. This was very important as there were public and private sector players who obviously did not often have the opportunity to interact on common topics of interest. Additionally the topic of innovation was one which was of extreme interest but not one which there was a huge amount of deep understanding or appreciation of.

The general consensus of participants is that while the Palestinians are very enterprising they are not very innovative and that while the opportunities are there, there is a distinct

lack of strategizing, coordination or commitment to an extant policy programme or initiatives to ameliorate the situation.

The participants recognise well the issues and impediments and the needs to improve innovation and new enterprise creation in Palestine and although they were able to make many suggestions as to how the situation in a general sense should be improved these were generic with very little substance i.e. there was knowledge of what should be done but very little on how to do it.

Palestine has the wherewithal and desire to become a knowledge economy as stated within the four pillars of the National Development Plan 2014-2016; Entrepreneurial and innovative initiatives could be expanded both quantitatively and qualitatively. It will not however do this without a strategic approach which makes the route explicit and which addresses - through support and subvention - the market failures impeding progress on innovation development.

6. Recommendations

The participants proposed a series of recommendations which have been expanded on by the experts based on practicality relative to the local situation and timescale:

1- Innovation Policy and Strategy

Short-term

- **Formulate and elaborate a National Strategy for Innovation**

Palestine is among few countries which is still to develop its National Strategy for Innovation. Palestine can create a favourable environment for the growth of innovative enterprises through the design and application of a coherent innovation strategy. The strategy should cover a full spectrum of technological and non-technological innovation activities as well as ways to promote innovation-driven mind-set. It should devote public and private resources to supporting basic research, but also product development and application. Initial strategy may start with feasible measures pushing for more and more ambitious approach over time. However, it will not work unless it is developed in full coordination and cooperation among all parties including various stakeholders and players on the scene of the innovation and SMEs eco-system. According to the OECD, developing a strategic approach to innovation policy is key, as it underpins the government's commitment to foster public-private partnerships (PPPs), financial support schemes, and innovation support services for SMEs.

Other recommendations included:

- Increase the national awareness of “what is innovation” through communication, at educational level; Focus on specific sectors such as ICT, Agrifood, Tourism Energy
- Promote examples of collaboration (e.g. Triple Helix) among Academia-Local Authorities-Businesses;
- Create an Innovation Portal for communication and promotion activities and include social media;
- Enhance “Innovation Awareness” at all levels but particularly at firm and educational institutional levels.

Mid-term

- **Design and establish a collaboration framework between government and stakeholders**

Palestine is a small place and though it might be assumed that stakeholders might engage in dialogue with government – there are insufficient mechanisms to promote this dialogue currently. It is suggested to develop a framework for collaboration inviting practitioners to get involved and provide suggestions to the government on how certain things could be improved for the better. Developing a formal collaboration mechanism, platform will ensure more realistic policies and give more visibility to the activities of the Government. There are numerous ways to involve relevant stakeholders acting in a variety of levels starting from *Informing*, further *Consulting*, *Involving* at various processes, and *Collaborating* on a regular basis and finally in some cases even *Empowering* - by placing a final decision-making in the hands of the stakeholder. Starting with the initial three steps would be a good starting point for Palestine. However, existing Public Private Dialogue (PPD) initiatives should be aware of such efforts and include them in its agenda and plans.

Other recommendations included:

- Implementation plan for stimulating and supporting creative activities within SMEs and help initiate the required mind-set change
- Develop a framework for incubators development
- Strategy in relation to donors Coordinate donor projects to avoid overlapping
- Create an internationalisation support framework through links with Diaspora etc

Long-term

- **Streamlining innovation (One agency/ one-stop-shop approach)**

There are numerous institutions in Palestine involved in innovation on an ad hoc manner such as the Ministry of National Economy, the Chamber of Commerce and the ICT Association. The Higher Council for Innovation and Excellence was launched in 2012 in Palestine with the aim to improve the strategic approach to innovation policy. A national committee chaired by the Higher Council and represented by various organisations and related stakeholders among the public and private sectors might potentially be the right structure taking this role and dedicating the necessary budgets for that. It should lead the agenda and be responsible for development and implementation of the policy within Palestine. This might include activities such as designing innovation-promotion schemes, promoting Triple Helix models and Public-Private Partnership (PPP) collaboration, designing incentive schemes etc. All information relating to innovation should be collected and distributed in a coherent way to variety of stakeholders and citizens.

Other recommendations included

- Framework for Triple Helix Collaboration
- Streamlining innovation (One agency/ one-stop-shop approach)
- Reforming the educational system
- Developing a legal framework for innovation promotion
- Developing a strategy for local and international funds to support innovation (ex: to finance prototyping activities and new concepts).

2- Financing Innovation

Short-term

- **In-depth assessment needed on access to finance**

The recent assessment report⁴ noted that there is no specific allocation of public funding to promote enterprise innovation and most of the initiatives are privately or donor funded. It is important to assess which kinds of finance might be or could be available in Palestine and what are the conditions in order to obtain it. The assessment should focus on a variety of different kind of finance such as finance for start-up initiatives and for prototyping, seed capital, venture capital, guarantees support schemes and evaluate potential for involvement of diaspora. The study will identify the essential regulatory and legal requirements to the establishment of the Islamic/ Commercial Finance for SMEs Innovation”. The study would be able to see which kind of players are already present and which kind of finance requires development of focused programmes, which amounts are needed. The study would allow the development of a strategy and see where support is needed most.

Other recommendations included

- Business sector consultancy and coaching to be improved and ‘tool-kits’ accessed for development and coaching;
- Develop and improve channels and routes to EU tools and initiatives;
- Establish a network for innovators;
- Need to build the capacity of innovators and stakeholders which will require both training and coaching and is an area where the EU can potentially intervene;
- There is a need to raise awareness of IP importance and also to finance Intellectual Property Rights and licensing of IPR to make investment in new ideas and technologies rewarding for both inventor and licensee.
- Improve triple helix concept coordination and communications among actors

Mid-term

- **Initiate special loans for innovation**

Innovation loans or vouchers schemes to support innovation have been used world-wide for many years and are an easier way to promote innovation locally. A starting point would be to see where loans are needed most and for which amounts. A Benchmarking study can help identify what kinds of support schemes have been created internationally on one side and what are the needs locally. Once local needs are clear it is possible to involve a variety of stakeholders with the aim to develop special loans programme to support innovation. Once designing a programme one needs to carefully develop selection criteria to be as flexible as possible and to avoid any unnecessary administrative burden. Ideally such programme should go hand in hand with capacity building support and training. Such scheme can also be a great source of information to be collected and later analysed over the real needs and interests as well as geographical spread. However, for MSMEs, sometimes it will not work unless it's linked to a guarantee fund supporting the loans which will lead to sustainable investment mechanism and real entrepreneurship system rather than depending on donor money.

Other recommendations included

- Initiate special loans for innovation
- Develop channels to exploit/involve diaspora
- Enhance existing finance databases to accommodate innovation information (one-stop shop) Develop one-stop-shop for communication and innovation

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- Enhance the investment climate[
- Improve the availability of equity risk capital;
- Build systems integrating innovators to the global value chain.

Long-term

- **Sustainable financing framework and instruments**

Though variety of measures could be implemented in short and medium-term it is crucial to develop a financing framework in Palestine in order to have a real impact. This framework should be based on the Innovation policy adopted and first of all should ensure that regulations do not have disincentives to growth and innovation (e.g. Bankruptcy regimes etc). A number of studies are needed in order to create an enabling environment to promote innovation locally and attracting foreign investors. It should ensure access to debt and equity finance (especially for high-growth organisations) and create a favourable tax for young innovative companies and supporting their internationalisation. Also, reactivating the Palestine Legislative Council to enact new laws such as the Debt Resolution Law which will encourage more new MSMEs to open given risk of failures to be alleviated.

3. Culture & Collaboration

Short-term

- **Create a dedicated Innovation Agency**

It is necessary to put Innovation at the heart of enterprise promotion in Palestine as it is the 'essential' element of firm and national competitiveness. This means promoting it at all levels of the community from elementary through to post graduate education and from research through pre-enterprise to international expansion. In order to do this a dedicated agency whose sole purpose is focussed on innovation should be initiated which can have overall responsibility for promoting a culture of innovation. This would include working with education stakeholders to strengthen interaction and collaborative effort across the education system to identify good practice and to mainstream successful programmes wherever feasible, build an enterprise & innovation education programme at secondary and tertiary levels and promote series of business planning/ideas competitions throughout the education institutional system. Through promoting, celebrating and rewarding enterprise and innovation talent it can become a focal point for coordinating and leading a culture of Innovation and Entrepreneurship.

Mid-term

- **Deploy Resources to Encourage/Engage Palestinians in a Culture of Innovation**

To build a culture of enterprise and innovation requires resources and in particular public sector financial stimulæ to address 'market failures'. There is little coordination and cooperation/collaboration on innovation in particular and no central point where knowledge can be shared. In an above recommendation the establishment of a "One-Stop-Shop" is suggested. The participants also proposed of a centralised online 'platform' through which knowledge could be shared where partners and collaborative links be made and which could facilitate real innovative thinking dialogue. This could showcase new ideas, match-make on investment or joint research, profile available supports from local government or international donors and could also hold good practice and tool kits for innovation and enterprise development. This could tie in with innovation communications and also the initiation of

international collaboration. Potentially this platform together with the 'One-Stop-Shop' with a searchable national database of licencing opportunities (domestic and international) in order to increase the visibility of research opportunities to industry, could become the basis for an application for PA to join EEN.

Other Recommendations included:

- Take advantage of Globalisation and available resources
- Create national awareness among all institutions & creating effective networks
- Encourage cooperation through projects/ donors/ incentives
- Encourage R&D and link it to the market (Private sector)

Long-term

- **Create Incentives for Innovation and SMEs**

Innovation and new SME creation are significantly underfunded in Palestine. It is a recognised 'market failure' that appropriate funding is rarely available to fund innovation particularly in SMEs. Micro credit and loans seldom finance the uncertainty of early stage innovative, research or enterprise creation activities and this is where incentive packages, business supports and financing subsidies from government are necessary. This could include mentoring, business support services, working with commercially managed accelerators to develop and implement incentives for supporting the quality of start-ups and to increase the number of innovative start-ups.

Other recommendations included:

- Expand Culture of innovation into other fields/study programmes
- Promote good practices that exist in other cultures
- Develop ethics based curricula at school level
- Activate the Public-Private-Academic dialogue
- Drafts supportive regulatory framework
- Create incentive packages for innovation & SMEs

Communication

Short-term

- **Create a centralised platform (IT) to share knowledge** and develop a database for innovation information. This platform will open links on all existing initiatives in Palestine in order to let them known by the entrepreneurs and future entrepreneurs. It will also be a way to create a community of innovators in shared links between business and the Centres of Excellence.
- **Awareness campaigns** for innovation through communication, including capacity building for communication and outreach campaigns. These communication campaigns could be oriented in particular through the characteristics of Palestinians companies which are mostly family and towards the target of graduates

Mid-term

- **Build institutional capacity to design and implement communication strategy** on innovation.
- **Develop strategic relationships** using public private dialogue between relevant stakeholders. This based on the best existing practices playing the demonstration effect.

Long-term

- **Develop and implement communication plans** to involve the diaspora, investors and others;
- **Develop sustainable mechanisms through communication.** This is to ensure the continuity of the communication process as any slackening in this area is highly detrimental.

7. Conclusions

The seminar was very well received by the participants who represented a very broad cross section of the public and private sector stakeholders in Palestine. They were delighted with the practical approach and the very interactive dialogue with the experts throughout the sessions. All professed it to be very worthwhile and that the outcome of the deliberations, brainstorming and workshops should be followed through. There was a very strong concern however that there would be no follow-up or at least that they would not receive assistance in following through on recommendations which were accurate but at the overview rather than the implementation level.

Palestine has the capability and the desire to improve innovation and the enterprise culture and while many elements exist (e.g. innovation centres/accelerators etc.) it does not have the competencies or detailed methodologies currently to make it a reality. It needs to take a holistic and systemic approach to this from recognising the specific impediments, through designing policy, programmes, initiatives and supports both financial and advisory to ensure it achieves its ambitions.

It will be necessary for Palestine to develop a relevant fit for purpose approach to stimulating and facilitating innovation. During the presentations it was presented with a number of frameworks which would help in this regard. However, it needs more than that; it needs assistance and practical implementation. There is a significant donor presence and financial contribution in Palestine, coordination between all donor players to implement an assistance programme where international expertise would support local policy makers to develop an overall strategy and implementation plan with follow through on a series of small but sustainable financial programmes could have very beneficial effect. The EU could lead in this coordinating process with all other donors to ensure non duplication and a positive multiplier effect with real impact.

Annexes

Annex A: List of Presentations

1. State of Play in Palestine: Innovation: Institutional and legal framework, policies
2. Innovation: Financing schemes and instruments
3. Strategy and Policies in support of innovation
4. Financing SME Innovation - instruments
5. Entrepreneurship and culture of innovation: drivers, approach and strategy
6. Co-operation between SMEs research institutes & universities
7. Promoting co-operation on innovation: innovation networks, centres, schemes
8. Successful communication strategies to promote innovation

Annex B: Bibliography

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- Marina Rangaa, Henry Etzkowitz, "Triple Helix Systems: An Analytical Framework for Innovation - Policy and Practice in the Knowledge Society", Human Sciences and Technology Advanced Research Institute (H-STAR), Stanford University, 2013 http://triplehelix.stanford.edu/images/Triple_Helix_Systems.pdf
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- Press release of Horizon2020 "Horizon 2020 – A Paradigm Shift for Funding Research and Innovation in Europe", Maire GEOGHEGAN-QUINN European Commissioner for Research, Innovation and Science, January 2014, http://europa.eu/rapid/press-release_SPEECH-14-65_en.htm
- The Smart Guide to Service Innovation, European Commission, 2012, http://ec.europa.eu/enterprise/policies/sme/regional-sme-policies/documents/no.4_service_innovation_en.pdf
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- Entrepreneurship Forum Report Ireland 2014
- Differences in Innovation Culture Across Europe - A Discussion Paper- Transform 2008
- Entrepreneurial Ecosystems around the Globe and Company Growth Dynamics World Economic Forum

Annex C: Useful links

- Small Business Act for Europe http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm
- Small Business Act - Database of good practices <http://ec.europa.eu/enterprise/policies/sme/best-practices/database/SBA/index.cfm?fuseaction=welcome.detail>
- EuroMed - Database of Good Practice <http://ec.europa.eu/enterprise/policies/sme/best-practices/database/euomed/index.cfm?fuseaction=welcome.detail&language=EN>
- Global Innovation Index, www.globalinnovationindex.org
- Innovation Union Scoreboard http://ec.europa.eu/enterprise/policies/innovation/policy/innovation-scoreboard/index_en.htm
- ERAWATCH www.erawatch.jrc.ec.europa.eu
- Regional Innovation Monitor Plus <http://ec.europa.eu/enterprise/policies/innovation/policy/regional-innovation/monitor/>
- OECD STI scoreboard www.oecd.org/sti/scoreboard.htm
- EXIST Programme, Germany, www.exist.de/englische_version
- Research Campus programme, Germany <http://www.bmbf.de/en/16944.php>
- Horizon2020programme, <http://ec.europa.eu/programmes/horizon2020/>
- VINNOVA, Sweden, www.vinnovg.se/en
- SocialeInnovatieFabriek Programme, Belgium, <http://www.socialeinnovatiefabriek.be>

- Competitive Clusters in France, <http://competitivite.gouv.fr/home-903.html>
- Diaspora: Project of ANIMA <http://www.medgeneration.eu/>
- Crowdsourcing: One of many on-line platforms: <http://www.sponsume.com/>
- Social Impact Investment example: www.si2fund.com InnovFin programme: <http://www.eib.org/products/innovfin/index.htm>
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- Entrepreneurship Action Plan for Wales, http://www.wda.co.uk/resources/ent_actionplan_en.pdf