



# **ENHANCEMENT OF THE BUSINESS ENVIRONMENT IN THE SOUTHERN MEDITERRANEAN**





# **Entrepreneurship and Culture of Innovation**

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# Introduction



- Importance and need for Entrepreneurialism and Innovation
- Nature of Entrepreneurship and Innovation
- The Palestinian Situation Needs, Impediments and Potential Benefits
- Building a Culture of Innovation & Improving Entrepreneurship
- The Policy and Ecosystem Frameworks
- Potential Initiatives Good Practice
- Discussion



# Why Entrepreneurship & Innovation?



- Entrepreneurship, Innovation and Economic Development are inextricably linked;
- Enterprise and particularly SMEs are the dynamos of economic growth and job creation (new enterprises in US create 4m jobs while existing lose 1m!) ;
- Innovation is the key driver of economic growth (50%) according to the OECD with knowledge intensive products and services dominating the global economy;
- Entrepreneurship & Innovation contribute significantly and innovative enterprises even more so;
- So Palestine needs more entrepreneurship, more innovation and more innovative enterprises!



# Entrepreneurship & Innovation

## What do they mean really?



- Definitions:
  - Entrepreneur
- Entrepreneurs; contribute to job creation and growth, are crucial to competitiveness, unlock personal potential and are the drivers of the market economy;
  - Entrepreneurship
- Entrepreneurs are often those that recognise and exploit (value) opportunity even when they are not seeking opportunity.



# Entrepreneurship & Innovation

## What do they mean really?



### – Innovation

- “Innovation entails investment aimed at producing new knowledge and using it in various applications. It results from the interaction of a range of complementary assets which include research and development, but also software, human capital, design, marketing and new organisational structures – many of which are essential for reaping the productivity gains and efficiencies from new technologies”.
- Other definitions include:
- “Implementing new ideas that create value” Innovation Network US
- “The intersection of invention and insight leading to the creation of social and economic value” US National Innovation Initiative
- “The development of new ideas and economic application as new products or processes” UK DTI



# Entrepreneurship & Innovation

## What do they mean really?



- Entrepreneurship/Entrepreneur; Recognises and exploits opportunity, continuously, allocating resources effectively, maximising value and potential, despite high risk;
- Innovation; the commercial realisation of new ideas for economic (Profit) or social value (Public Good) and the key to sustainable competitive advantage;
- Distinction: Enterprise Creator versus Entrepreneur (99.9% v 0.01%);
- Innovation Product Process or Business Mode  
Incremental, Radical, Breakthrough (Disruptive)



# Benefits of Entrepreneurship and Innovation



- Entrepreneurs boost economic growth by introducing innovative technologies, products, and services, increase competition and productivity by challenging existing firms.
- Entrepreneurs provide new job opportunities in the short and long term.
- Entrepreneurs accelerate structural change by replacing established, non performing firms and by expanding market access.
- Entrepreneurs, creators of new and accelerators of existing firms , are a rare species bringing innovations & offering a key value-generating contribution to economic progress.
- New and innovating firms invest more and create more jobs particularly in their first year. New firms attract resources to new activities, and when they prosper and are able to grow rapidly, they generate significant numbers of new jobs
- **In Palestine we need to foster not just entrepreneurship and innovation but focus on Innovation-Driven Entrepreneurship expanding the number and quality of serial entrepreneurs and fast-growing, scalable ventures!!!!**





# National Development Plan 2014 - 2016



- Establish more robust foundations for an independent, equitable and sustainable national economy which materialises sustainable development, provides decent employment opportunities to citizens enhances their productivity.
  - Investments creating employment opportunities have increased
  - An enabling environment for balanced economic growth and development is in place
  - National productive capacity and competitiveness of Palestinian



# National Development Plan 2014 - 2016



- Four Pillars
  - Investments creating employment opportunities have increased
  - An enabling environment for balanced economic growth and development is in place
  - National productive capacity and competitiveness of Palestinian businesses has improved
  - Entrepreneurial and innovative initiatives among youth and women in the economy sector have expanded both quantitatively and qualitatively
- Planned expenditure \$284m (19% of Dev. Exp)



# Building the Culture a Framework Approach



1. Overall Environment; This is where policy is addressed in the context of an overall business environment and has four pillars Investment Climate, International Competitiveness, Good Governance and Economic and Technological Infrastructure.
2. Ecosystem for Enterprise; The elements of the ecosystem are profiled differently in different countries but generically recognised as the interaction of Culture, Business Environment, Innovation, Access to Finance, Entrepreneurial Networks and Market Access.
3. Micro Intervention; the range of supports and initiatives which will stimulate and facilitate innovation and the creation, development, growth and internationalisation of innovative enterprises

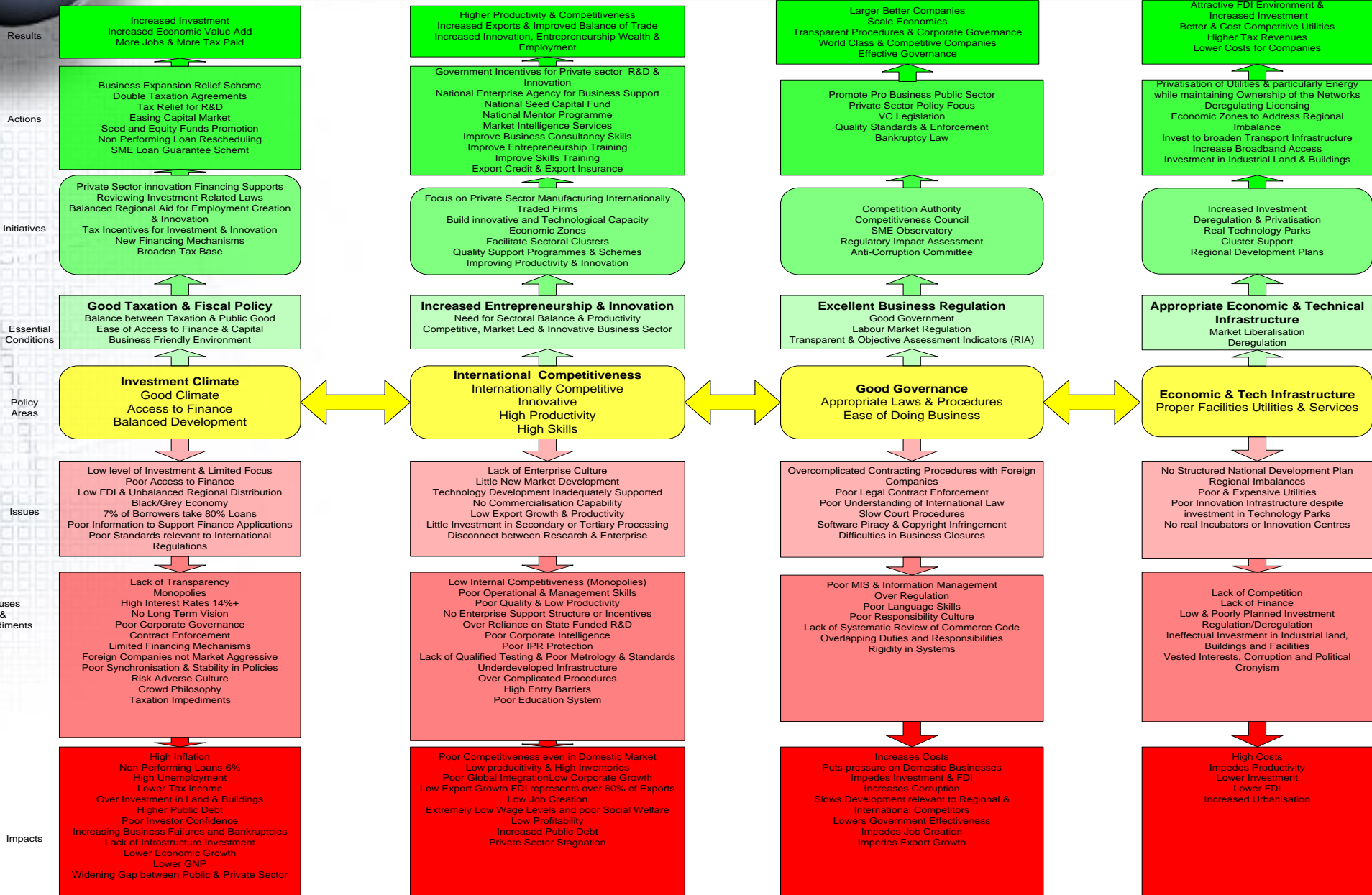


# Drivers



- Comprehensive Entrepreneurship/Innovation Policy and Framework;
- Engagement through education and training/intern programmes;
- Strong Communications and Promotion;
- Inclusive , involvement/programmes for all groups, youth, women, unemployed, ethnic etc;

# Policy Intervention



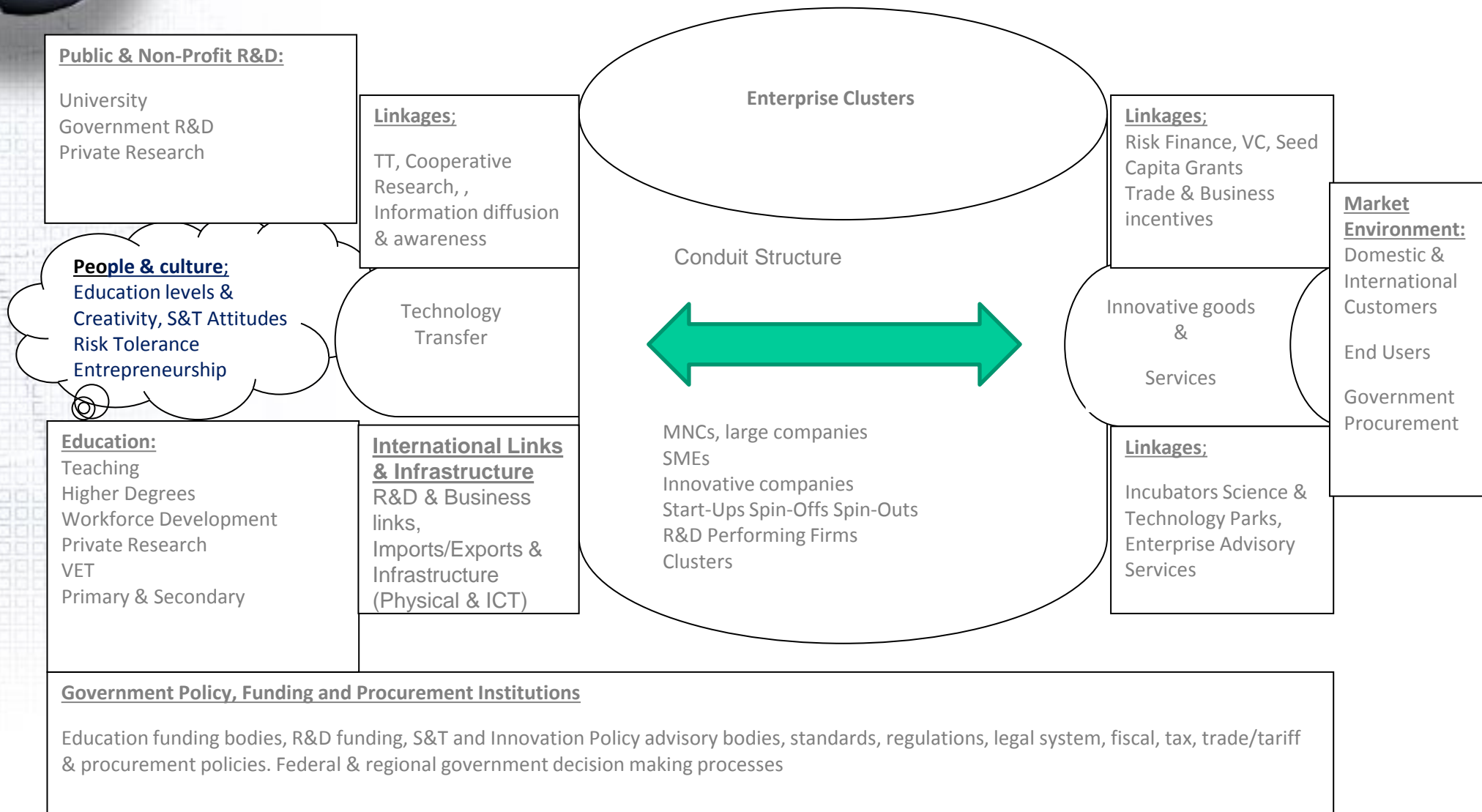


# Ecosystem





# NIS

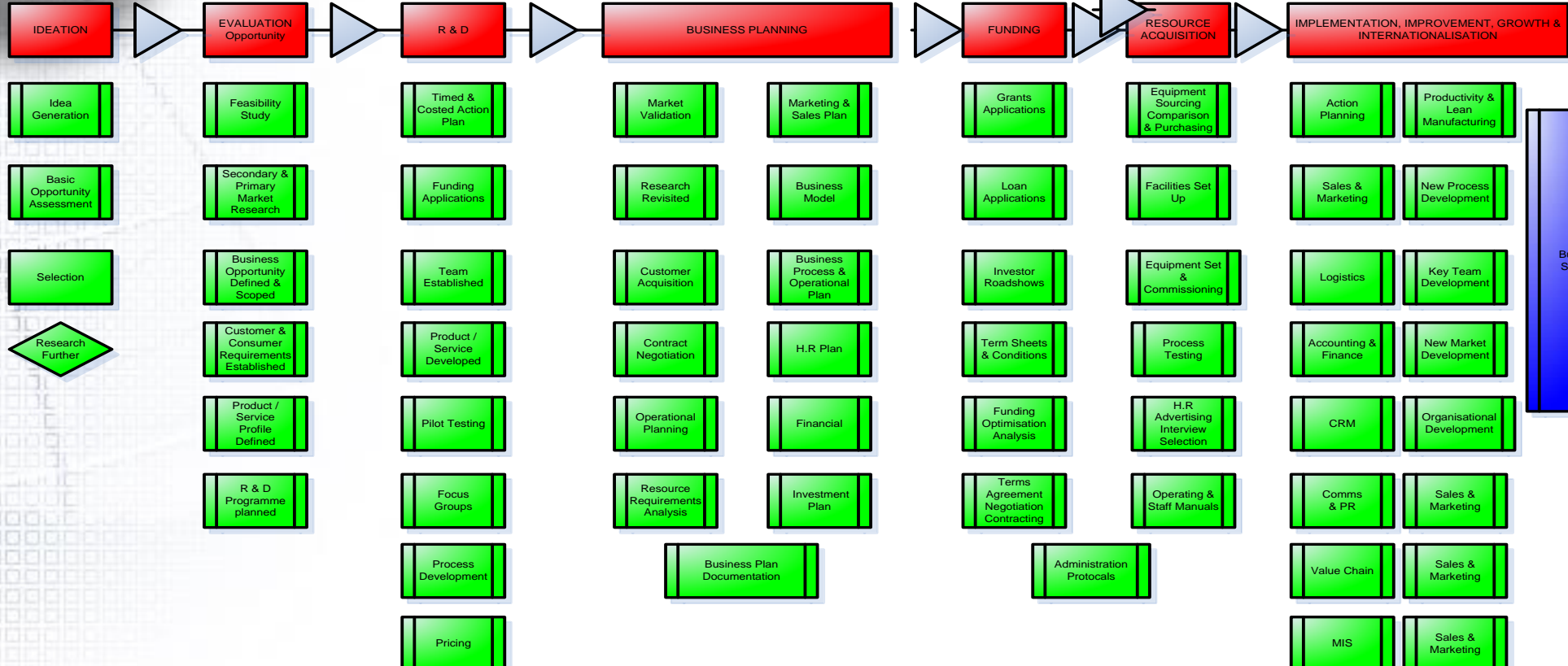




### Stand-Up!

### Start-Up!

### Scale-Up!



Business Strategy

### SUPPORT SERVICES Project Management

Communications/PR  
Idea Generation W/S  
Technology Audit  
Opportunity/Market Evaluation  
Entrepreneurship  
Start-Business Programme  
Partnership Search  
Open Innovation  
Licensing  
Training

Secondary/Desk Research  
Primary Research  
Focus Groups  
Project Planning  
Costing  
Training

Funding Application Support  
Process Consulting  
Focus Group Organisation  
Partnership Search  
Intellectual Property Strategy  
Licensing  
Commercialisation Strategy  
Pricing Support  
Technical Consultancy  
Training

Business Consultancy  
Interim Management  
Market Research  
Marketing & Market Planning Consultancy  
International Market Research & Networks  
Evaluating Commercial Opportunity  
Financial Consultancy  
Legal Consultancy  
Investment Advice  
Business Planning  
Access to Capital  
Contracting  
Training Courses

Loan Application & Grant Application Support  
Business Angels  
Investment Forum  
Interim Management  
Secretarial Services  
Investment Terms Evaluation  
Contract Negotiation Advice  
Equipment Sourcing  
Operations Processing  
H.R. Advice  
Counselling & Mentorship  
Technical Advice  
Training Courses

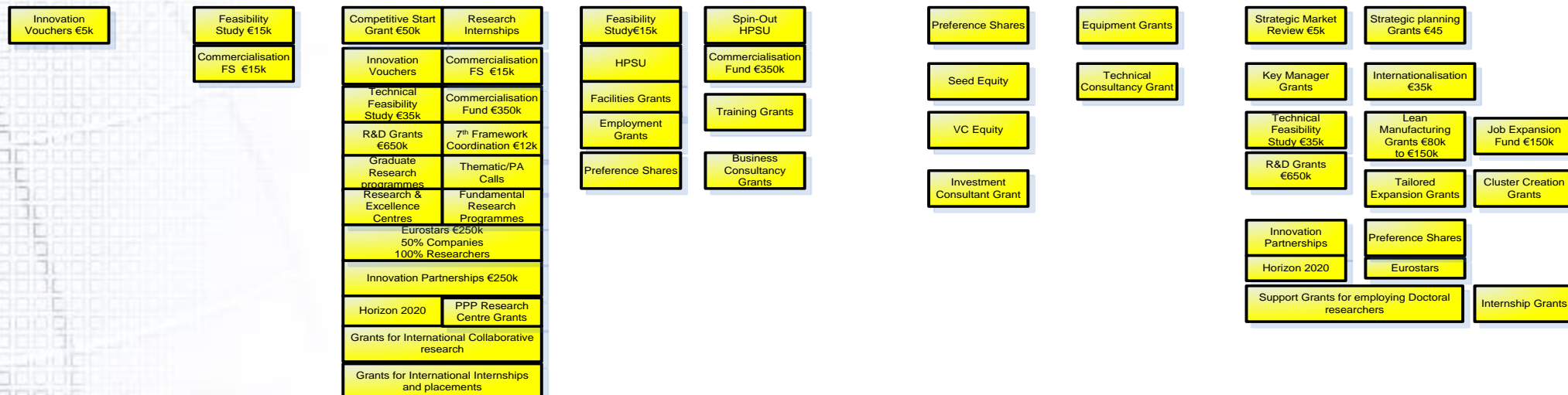
MIS Consultancy  
Business Expansion  
Internationalisation  
Accounting & Finance  
Networking  
Business Consulting  
Personnel Development (Voc Training)  
Interim Management  
CRM Support  
Business Strategy Consulting  
Training

Business Technical & Management Consulting Services

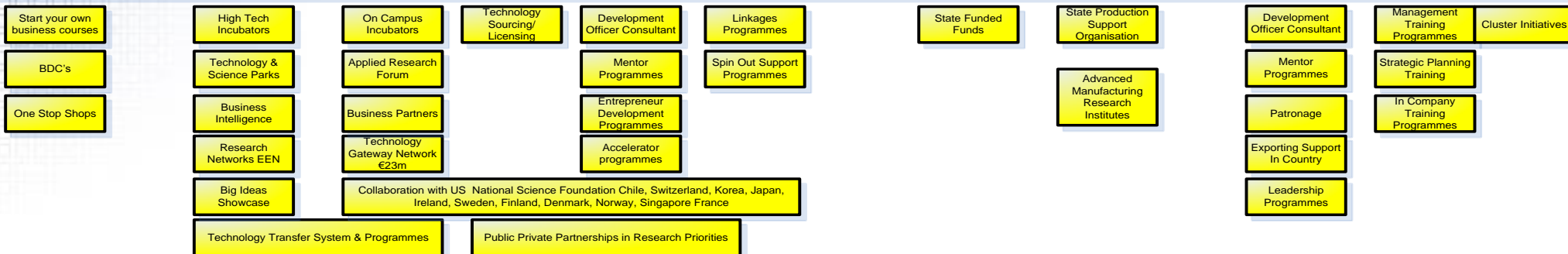




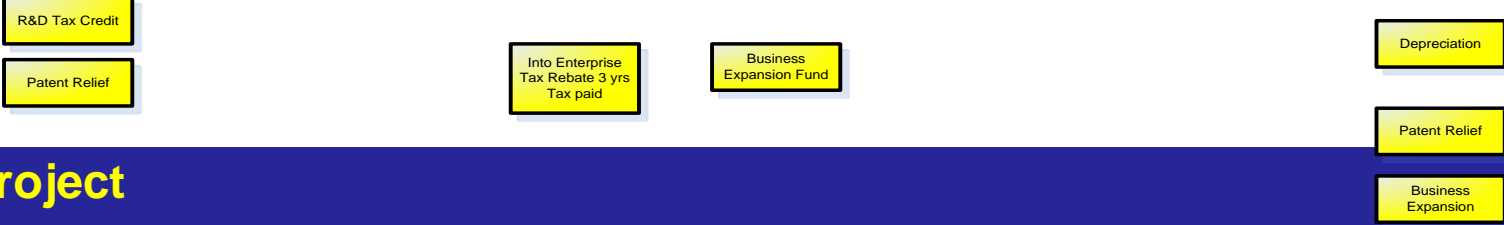
**HARD SUPPORT SERVICES  
FINANCIAL INCENTIVES & INVESTMENTS**



**SOFT SUPPORT SERVICES  
CONSULTING, ADVICE, TRAINING ETC**



**TAX BASED INCENTIVES**





# What to do



1. Vision, Strategy, Sustainability
2. Promote Communicate and Celebrate
3. Stimulate, Facilitate, Create
4. Collaboration, Evaluation & Reinforcement

We now need to consider initiatives in the Ecosystem under the six domains discussed in the model



# Types of Initiatives



- Entrepreneurship training throughout the education levels;
- Exchange programmes between academia-industry-academia;
- SYOB courses;
- One-Stop-Shops
- Grant Programmes, exploratory and feasibility



# Kafalat Lebanon



- New Start-up & Innovative Loan Guarantee Scheme 2006;
- €4m contribution by EU leveraged into €40m scheme;
- Over \$220m guaranteed in 2012 alone
- Sustainable



# Innovation Loan Guarantees



- The benefits for commercial Banks are;
  - Provide incentives to commercial banks to be more risk tolerant basing their lending decisions on project investment merits, cash flow and market opportunities rather than the traditional collateral cushion requirement;
  - Improve the commercial banks ability to evaluate commercial risk;
  - Increase the amount of commercial bank lending available for innovative SMEs.



# Kafalat



Items	Kafalat Standard	Kafalat +	Kafalat innovative
<b>Sectors</b>	<ul style="list-style-type: none"> <li>- Industry</li> <li>- Agriculture</li> <li>- Tourism</li> <li>- Craftsmen</li> <li>- High Tech</li> </ul>	<ul style="list-style-type: none"> <li>- Industry</li> <li>- Agriculture</li> <li>- Tourism</li> <li>- Craftsmen</li> <li>- High tech</li> </ul>	<ul style="list-style-type: none"> <li>- development new product</li> <li>- development of new uses of prod</li> <li>- development of new markets</li> </ul>
<b>Guarantee</b>	75 % of value	85 % of value	90 % of value
<b>Amount</b>	Max 200 000 \$	2 600 - 400 000 \$ limited to 80 % of investment	2 600 -200 000 \$ limited to 90 % of project
<b>Duration</b>	7 years	7 years	5 years



# Kafalat



<b>Conditions</b>	<ul style="list-style-type: none"> <li>- less than 40 empl</li> <li>- all kind of entity registered in Lebanon</li> <li>- Working capital and fixed assets</li> </ul>	<ul style="list-style-type: none"> <li>- less than 40 empl</li> <li>- registered cy</li> <li>- Own K greater than 30 % debts</li> <li>- Minimum 20 % contribution</li> <li>- financial statements audited each year</li> <li>- Business plan over 7 years</li> <li>- Debt ratio 70/30</li> </ul>	<ul style="list-style-type: none"> <li>- start-up com</li> <li>- register as com</li> <li>Minimum 10 % contribution</li> <li>- Business plan over 5 years</li> </ul>
<b>Interest rate</b>	Variable bank rate (8 to 10 %) + Kafalat 2.5 % com	Same	Same
<b>Other guarantee</b>	Collateral	No collateral	No collateral
<b>Application</b>	All commercial banks	All commercial banks	All commercial banks



# Innovation Loan Guarantees



- The benefits for Innovative SMEs:
  - Ensure access to credit to finance sound investment projects, without having to provide any other collateral requirement;
  - Increase and strengthen such SMEs' equity base;
  - Promote a formal SME organisation by requesting SME s to register as formal entities as condition of loan application;





# Good Practice Palestine



## SMEs Loans Mortgage Programme by the Palestinian Investment Fund (PIF)

- The programme provides both financial facilities and loan guarantees to banks for the purpose of allowing SMEs further access to finance to expand sustainable businesses. The PIF provided financial guarantees to Palestinian banks to allow SMEs and potential entrepreneurs getting access to finance. PIF played as a Loan Guarantee Fund. The lack of uptake of modern technologies has been identified as one of the leading barriers to sustainable business practices among Palestinian SMEs.
- This programme is appreciated by entrepreneurs and those operating small businesses facing intense difficulties securing necessary funding for sustaining and operating their enterprises. With 3,500 new jobs created by SMEs benefiting from the scheme, the programme is a success. However, sustaining these businesses requires more elaborated performance measures and evaluation indicators in place.



# Morocco



The Moukawalati programme, set up in September 2006, is the first global and integrated arrangement designed to assist in setting up and ensuring the survival of small businesses.

- Advantages of the programme : • Pre and post set-up assistance for businesses • Government guarantee (CCG) of 85% bank credit, delegated to the banks. • Interest-free advance representing up to 10% of investment, with a limit of 15 000 DHS (around €1325), repayable over 6 years, with a 3-year grace period, part of which (up to 10 000 DHS, around €885) can be released as soon as a project is agreed by the bank. From the time of its launch, Moukawalati has been constructed around the following principles: • Offering integrated services permitting all-round support • Procedural facility giving access to funding • Regional implementation • Stakeholders involved in the creation of businesses working together



- The creation of a system of promotion and reinforcement of entrepreneurship at AUEB with actions to develop culture and positive attitudes, information, training and support for the students (undergraduate, post-graduate and doctoral) with the ultimate aim of developing positive attitudes and entrepreneurial culture and the undertaking of entrepreneurial initiatives.
- Activation of students and wider university community concerning entrepreneurship - Establishment of new enterprises by students and AUEB graduates - Distinction of university students in international entrepreneurship competitions - First public educational institution to receive a distinction for excellence according to the internationally recognized EFQM entrepreneurial excellence model



- Around ten undertakings (SMEs) wishing to launch an innovative project - thereby sustainably improving the innovative processes within the undertaking - are selected for each programme year. If recommended for funding, the undertakings select as an innovation assistant for the project development a recent graduate with a technical or scientific academic background. This assistant will be accompanied by an advisor - also selected by the undertaking - for the two-year duration of the project and will receive additional training specially organised by CATT.
- Since 1998 120 successful projects
- (see extract 'Success Stories' at: [http://www.innovationsassistent.at/13\\_DEU\\_HTML.php](http://www.innovationsassistent.at/13_DEU_HTML.php)) and their results put into practice to the benefit of the participating partners



# Italy



By Act No 32/2007, the Region of Liguria has supported local social entrepreneurship that promotes fair trade, by encouraging the creation of an association of the Ligurian fair trade organisations, facilitating relationships with local businesses (companies, hotels, stores, etc.) and involving local entities in sustainable procurement that enhances social and environmental responsibility, both private and public.

- The impact on the local economy consisted of increases in revenues (+25%) and employment (+12%) in fair trade enterprises. A number of 350 initiatives have been implemented with the involvement of almost 10% of the population, over 100 events organised as part of special days and fairs with 90 000 visitors and 15 000 buyers, 6 000 students with 2 500 hours of academic activities per year.



# Tunisia



## Tunisia

- Start A Business Wednesdays take place on the third Wednesday of every month and bring together in the 24 governorates of Tunisia all those involved in establishing and financing businesses: business centres, technology parks, nurseries, technical centres and banks. The days deal with topics such as how to start a business, steps to go through, incentives to create new businesses, the roles of the various bodies supporting business creation and planning upgrades. Start A Business Wednesdays are also an opportunity for successful start-ups to explain to others how they began and became successful.



# Algeria



- Eligible innovations may relate to either products or procedures. - They may bring about changes related to materials, human resources and/or working methods. - The competition is open to SMEs operating in Algeria. - Applications must include proof that the candidate business does in fact exist (articles of association, etc.) and a technical data sheet describing the innovation submitted for the prize, as well as the origin and reference of the innovation. - All information and documents submitted are kept confidential. - The prize is awarded annually and consists of a certificate and a cash prize. - Participation is free.
- The competition encourages developing skills in innovation and making permanent improvements to the quality of products and services through innovation



# Good Practice



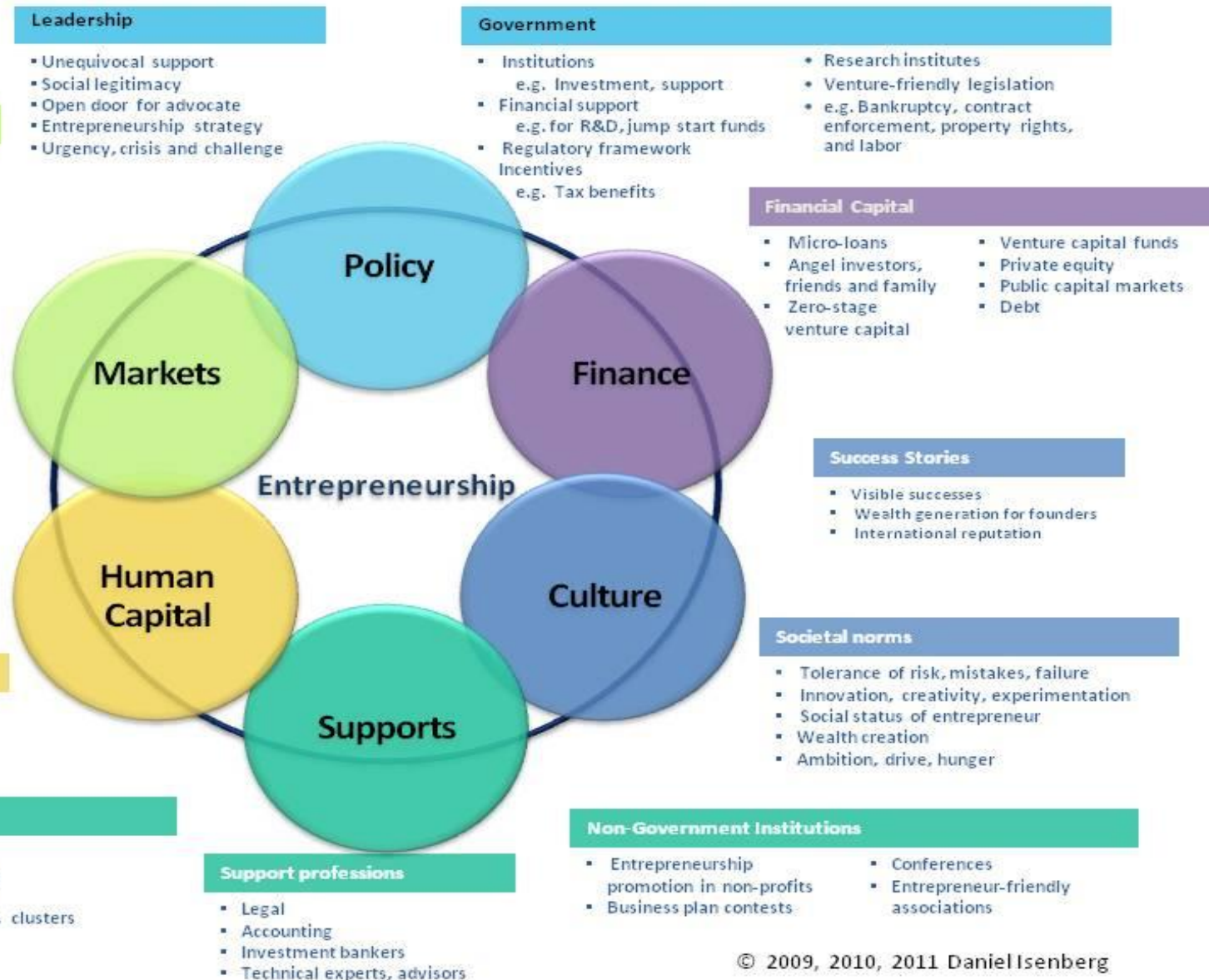
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# Ecosystem



## Domains of the Entrepreneurship Ecosystem



5/19/2011

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- **Encourage schools to enhance enterprise in education**
- **Celebrate and reward successful entrepreneurs**
- **Ensure that more people have an equal opportunity to start and run their own business**
- **Improve the quality and range of ICT skills domestically to make Palestine a hub for technology start-ups**



# Access to Finance



- **Expand the range of access to finance instruments to match our ambition as a startup hub so that all viable businesses have the opportunity to access sufficient finance to meet their needs**
- **Attract more angel and international venture capital investors and continue to develop the domestic venture capital sector**
- **Ensure that the banks develop the skills and focus necessary to deliver appropriate financial instruments to start-ups and early stage entrepreneurs**



# Market Access



- **Encourage local and national authorities to make a commitment to provide market opportunities for fledgling businesses (Government Procurement)**
- **Encourage local and national private enterprises to make a commitment to provide market opportunities for fledgling businesses**
- **Ensure start-ups are export oriented in their thinking early in their development**



- **Make Palestine a location of choice for high quality/potential domestic (those who leave to establish enterprises and international diaspora start-ups**
- **Develop the best infrastructure to support the commercialisation of technology as a new business opportunity (Knowledge/Technology Transfer; Campus Incubators; Commercialisation Fund; Innovation Centres).**
- **Develop a support framework to assist innovative start-ups reach their full potential**



- **Improve the effect of mentoring as a tool to support entrepreneurship**
- **Increase the number of peer networks for mentoring, angel finance and problem solving which sustain entrepreneurship**
- **Build world class entrepreneurial hubs and achieve greater regional spread of such hubs to facilitate entrepreneurial leadership**
- **Engage Private Sector/Representative Bodies**



- **Promote standards to local authorities to exploit fully the enterprise assets of their community and foster new thinking in the enterprise area**
- **Stimulate and support high levels of quality entrepreneurial ventures which have high growth, export, wealth and job creation potential**



# Discussion

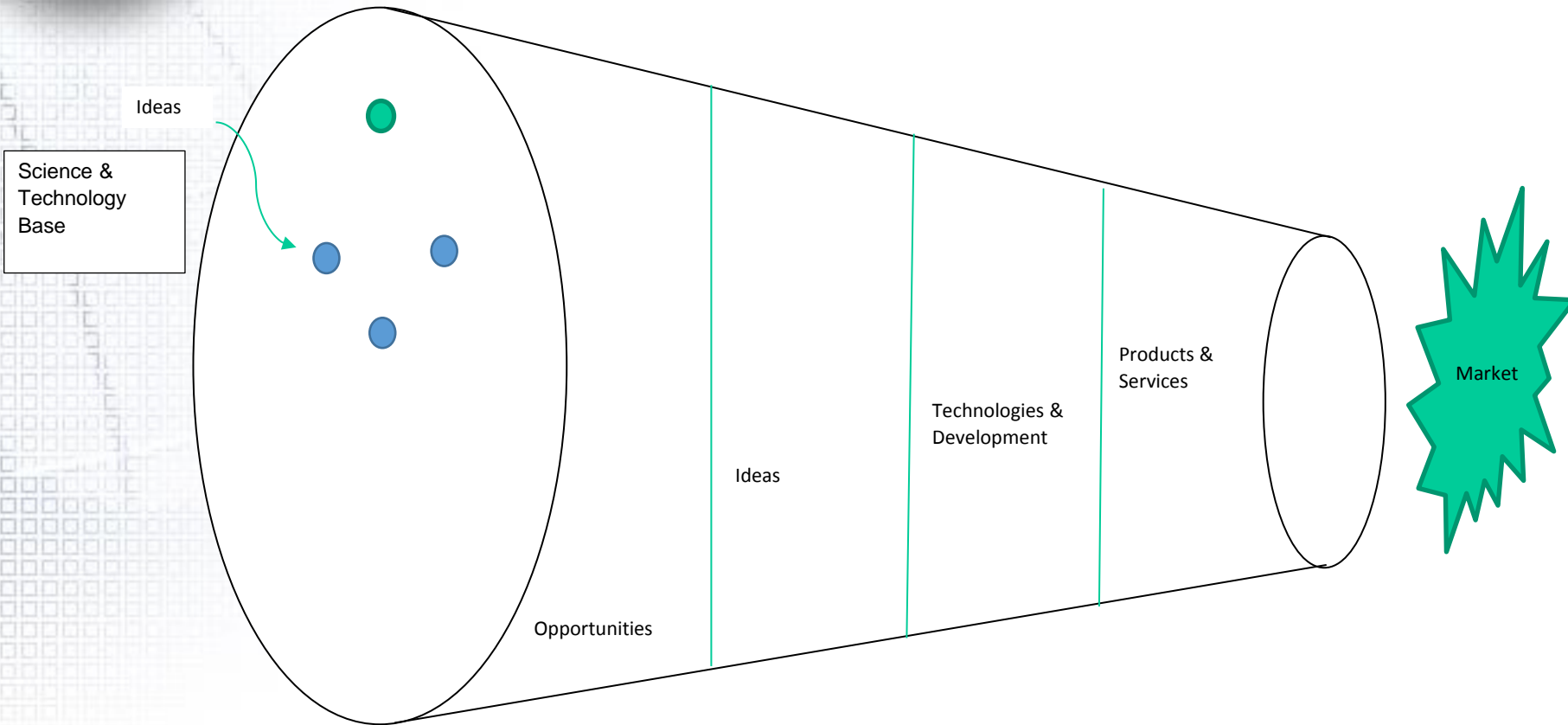


- Are the terms innovation & entrepreneurship understood in Palestine?
- Where do the majority of new ideas & new enterprises come from?
- How important do we consider innovation in the context of economic policy in Palestine?
- What elements of a National Innovation System are working in Palestine and which not?



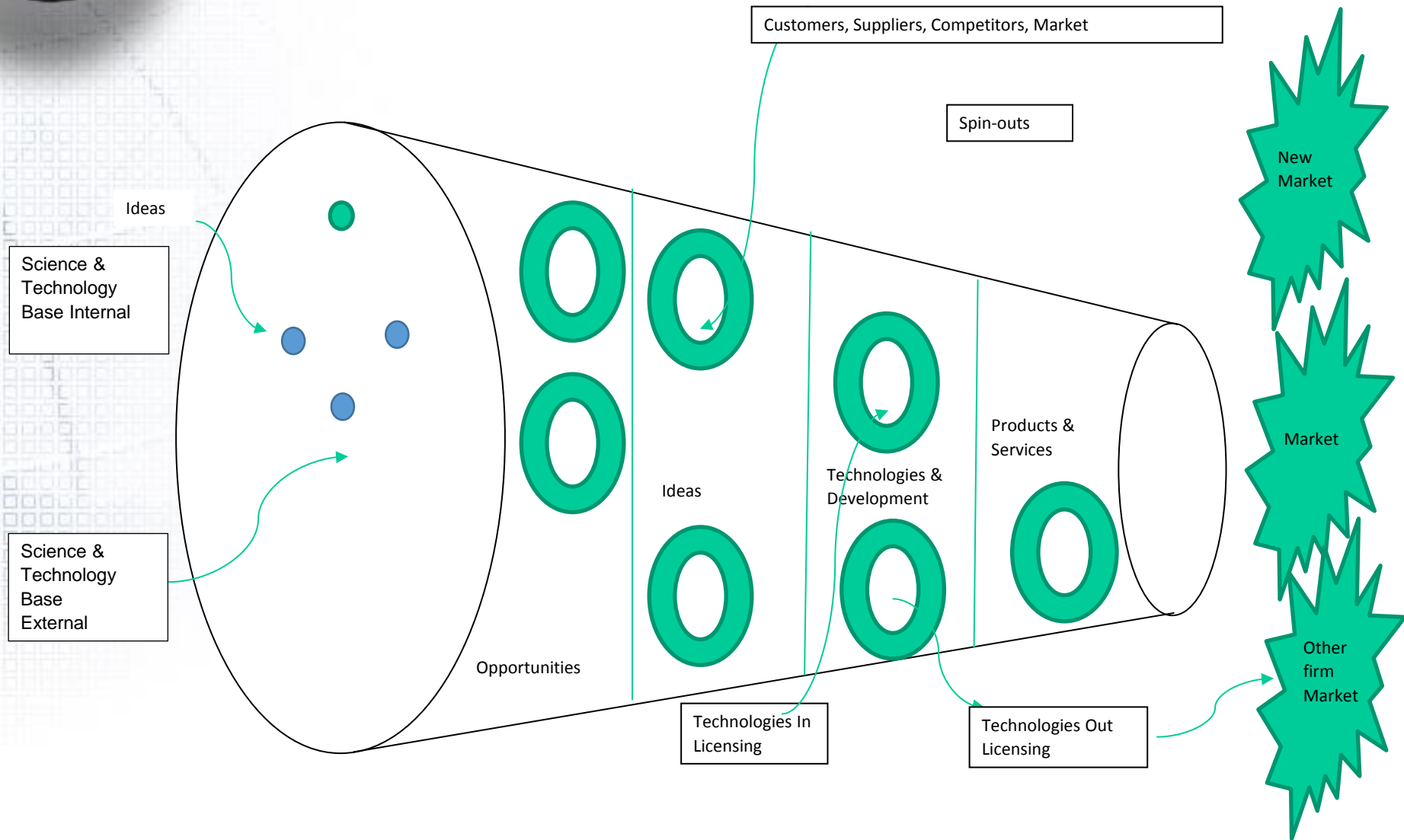


# Closed System Innovation





# Open Innovation





**Thank you for your attention**  
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