

Entrepreneurial Spirit and Small Businesses in Palestine What Is Missing?

By Hasan Omar

The Global Entrepreneurship Monitor (GEM) indicates that Palestine exhibits a low early-stage entrepreneurship rate. The proportion of the adult population involved in early-stage entrepreneurial activity is around 9 percent. It is 14.7 percent among factor-driven countries and the MENA-seven GEM countries.

Many initiatives and programmes that support entrepreneurship and micro, small, and medium enterprises (MSMEs) have taken place during the past few years. The Intel Business Plan Contest, the Microsoft Imagine Cup Competition, the Celebration of Innovation, ESCWA Commercialization Tour, the Business Entrepreneurship Forum, and the Call to Innovation are just some examples. There are also initiatives by the Palestine Investment Fund (PIF), three venture capital firms, a business-and-innovation centre, microfinance institutions, and incubation programmes that include those at university centres of excellence in the West Bank and Gaza. As a result, there is a clear increase in the number and quality of business ideas presented by entrepreneurs. What is not clear, however, is the impact on the total number of successful start-up jobs created and on the GDP.

It seems that most incubation programmes target the technology sector. Why only the ICT? Yes, it is an enabler and borderless sector that offers thousands of jobs, but there are other promising sectors that require more attention and support. An agro-business incubator, for example, would help a lot.

Palestinian entrepreneurs most likely have the knowledge required but lack business skills. This is due to many

reasons, including the education system. However, and as a result of the dozens of training programmes conducted, the situation is different now. Due to the number of institutions that work in the

Report 2010 states, "In 2010, the OPT was in the top 10 countries, among the 60 participating GEM countries, in which fear of failure would prevent people from starting a new business."



Photo by Ramzi Hazboun.



entrepreneurship field, many regard entrepreneurship as an option and alternative to the job. It is fine, and sometimes it works, but we are always looking for the real entrepreneurs.

We are proud of the Arab Bank, Consolidated Contractors Company (CCC), and other examples of solid entrepreneurship. However, we know that doing business within the current context and global competition is a different story. Palestinians are entrepreneurs by nature, yes, but it is not enough; and innovation is the secret.

Research conducted by MAS (Palestine Economic Policy Research Institute) and published in the Palestine Country

Fear of failure should not be a barrier. Barriers are everywhere; it's the nature of entrepreneurship. Neil DiBernardo (Dun & Bradstreet) noted, "During the first half of 1997, over 43,000 US businesses failed." Half of the businesses die during the first two to five years of trading, with a peak between 18 and 24 months (Cressy, 2006). The failure rate sometimes exceeds 70 percent, as stated in a study from Bradley University. Then it is a game of numbers, and we need a large pool of entrepreneurs with innovative business ideas to make sure that we'll end up with a satisfied number of successful businesses.

Entrepreneurial spirit is affected by

external and personal factors that include the local context, general framework conditions, and business climate, as well as social, cultural, political, and economic factors. Despite such obstacles, which we all admit exist, Palestinian entrepreneurs share many other characteristics and chances for success with other entrepreneurs around the world. For any framework to succeed, however, these factors should be taken into account (Elmuti et al, 2011).

A survey conducted by the Business Women Forum - Palestine showed that female entrepreneurs are facing many challenges, such as networking, marketing, permits, and finance, and these challenges are structural in nature rather than gender-related. Other research has discussed some of the barriers, such as the evaluation by the OECD in 2008. An analysis of ten dimensions indicates that barriers include access to finance and to international markets. The report shows a low level of innovation in many countries in the region. This is true, and still there is a gap between the north and the south. The results of the huge efforts during the last four years will be reflected in the 2013 report.

Access to finance is an obstacle. It is trivial that we cannot do any business without the proper financing. The available resources of funding, including the seed money and venture capitalists alone, are not enough. A business angel network in Palestine and in the diaspora is needed to complete the cycle of the financing stages.

In its 2011 study, MAS recommended the strengthening of three areas in order to support and improve the context of MSMEs: the legal environment, access to finance, and access to related support services. A 2007 study recommended that entrepreneurship and innovation in Palestine should be encouraged through changing the Palestinian educational culture to emphasise learning by doing and original and critical-thinking approaches. It was also recommended

in 2011 by the PIF, which focused on basic and higher education as well as seed-stage funding. Actually, education is the secret. Yet all are waiting for and expecting a real change. Without the proper cooperation, coordination, and integration between and among the existing institutions working in the field of business development and entrepreneurship, our achievements and successes will be limited.

Even with the special case of Palestine, the situation is better than that of many countries in the region despite the available resources. Palestine won second place in the "Intel Challenge Levant" in Amman. In addition, two projects were ranked among the top 20 out of 750 projects from 64 countries in infoDev's Global Forum on Innovation & Technology Entrepreneurship in Helsinki. These are just examples and indicators on the level of entrepreneurship in Palestine. Is it about the donor-driven projects, Dutch-disease, the design of these programmes, the adoption vs. adaptation of business models, the quality of the services delivered, or the level of innovation and entrepreneurial spirit?

To conclude, more work must be done to respond to the current needs; for example: the creation of incubation programmes that target various sectors as agents of economic, cultural and social change; more involvement and contribution from the private sector and integration with the education system and the government; a business angel network; more cooperation and coordination between stakeholders and players; and models localised for the Palestine context.

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