

○ SUPPORTING ENTREPRENEURSHIP

Implementing the Palestinian National Employment Strategy

○ Thematic Fiche 09

○ *Background*

The vast majority of Palestinian enterprises are small in size.

Out of the nearly

145,000
economic establishments
operating in 2012

(of which 131,000 were private companies), almost

90% employed less than five workers
and a further **8%** had 5-9 employees.

As employment in the Palestinian economy largely depends on family and micro and small enterprises, incentivising youth to engage in self-employment and freelance work, and promoting entrepreneurship

development and innovative business start-ups, while also reducing administrative and procedure obstacles, particularly in production and technical sectors, are critical for the development of the Palestinian private sector and for achieving the employment objectives.

Socially-minded investors and donors' interests in promoting entrepreneurship, start-ups, and ICT sector growth have accelerated entrepreneurial activity in the Occupied Palestinian Territory in recent years. As a result, the entrepreneurship environment has developed quickly. Many initiatives have been launched to support the substantial entrepreneurial value chain and necessary support services. An example of such initiatives is common workspaces for digital entrepreneurs with a view to promoting community among ICT start-ups, industrial incubators and accelerators providing development and technical services. These also involve capital funds for IT projects aimed at early investments and donor-funded projects that facilitate and provide private investment incentives.

○ Main gaps

Despite advances, entrepreneurial activities are in the start-up phase and face many challenges and constraints.

For instance, a Global Entrepreneurship Monitor (GEM) report asserts that in 2010-12



all five entrepreneurship development indicators declined

in the Occupied Palestinian Territory: entrepreneurial finance, government support, taxes and bureaucracy, government programmes, and entrepreneurial education at school.

Even though more recent reports do not provide updates on the situation in the Occupied Palestinian Territory, interviewed agencies agreed that these indicators have not changed significantly,



with the exception of some enterprise registration improvements,

and the enactment of a set of laws and procedures to facilitate immovable property registration and use for financing purposes.

○ Geography, Gender & Social Inclusion

Current entrepreneurial initiatives are focused on digital services and the ICT sector. While this focus furnishes opportunities to women and educated persons, the benefits of entrepreneurship development will be narrowed down and reserved for youth with higher levels of education and distinctive skills (leaving behind poor and vulnerable individuals).

More than 20 per cent of tech start-ups in the Occupied Palestinian Territory were created by women (a higher proportion than any other location studied by the World Bank)¹. Still, however, a large number of entrepreneurs (and two-thirds of women and youth) resorted to entrepreneurship out of necessity rather than opportunity. Most interviewees stated that unemployed youth who apply for support for their entrepreneurial ideas were neither prepared for support nor had clear ideas. Prevailing cultures and values do not encourage or appreciate entrepreneurship. Families do not usually encourage children to engage in entrepreneurial activities, linking traditional jobs to better stability and value. Female entrepreneurs are especially young and inexperienced and need additional support to succeed. Financing remains a barrier, although non-governmental actors have had success recently in reaching informal, rural, female and otherwise marginalized business owners.

○ Areas for Development

The National Employment Strategy 2021-2025 aims to promote entrepreneurship among youth by:



Mainstreaming entrepreneurship education in and outside schools;



Training programmes on entrepreneurship

should be designed targeting male and female youth, business accelerators and incubators should also be established and a national charter needs to be developed to promote small businesses and increase their access to finance.



Organizing national competitions

to encourage and reward innovation among young entrepreneurs; and



Supporting testing and development of innovations

in agriculture, industry, tourism and IT by providing competitive grants.



Media campaigns

should also be organized to promote community acceptance of entrepreneurship.

¹ World Bank, Tech Startup Ecosystem in West Bank and Gaza,

○ Risks & Challenges

While there is wide consensus among stakeholders in the entrepreneurship sector and SME financing and incubation, on the importance of SME development and its role in promoting pro-employment economic growth and supporting job creation, the occupation and restrictions on movement and trade impede and pose considerable challenges to economic development, growth, and entrepreneurship activity. Access to low cost, effective and state-of-the-art technology (4G, e-payment systems, satellites, and sensors), and basic services (water, electricity, and freight) are all impacted by Israeli measures constraining economic activity, entrepreneurship, and other relevant services.

○ Desired Outcomes

1. Improve business services and financing in support of entrepreneurship and self-employment.

This objective seeks to develop services needed by entrepreneurs to develop their businesses, improve the quality of these services for need-driven entrepreneurs, and promote self-employment. This complements the government approach led by the Ministry of Entrepreneurship and Empowerment (MoEE) and Higher Council for Innovation and Excellence (HCIE), to develop innovative start-ups in the high-tech sector. It seeks to fulfil entrepreneurs' needs, particularly those of young men and women, providing a diversified and appropriate package of financing instruments and financial services that correspond to their social, economic, and cultural conditions. These packages include bank facilities, Islamic financing, and access to credit and guarantees.

Entrepreneurship services, targeting vulnerable groups, will be developed through a two-pronged approach, involving on the one hand capacity building (technical and life expertise, skills, and perceptions) to be provided to individuals so that they are better equipped to establish and develop their own economic enterprises, enabling self-sufficiency and breaking cycles of poverty and marginalization. Within this framework, sensitization, guidance and training services will be delivered. Entrepreneurship will also be integrated within the education system as a long-term strategy to scale up entrepreneurship. On the other hand, providing a diversified and appropriate package of financial incentives and services to entrepreneurs, taking into account their social, economic, and cultural conditions, will be critical to help them start and develop their own enterprises.

In addition to enabling entrepreneurs to access investment opportunities, developing capacities of business incubators and accelerators to provide incubation and acceleration services is key for entrepreneurship development in the Occupied Palestinian Territory.

While competition among business incubators and accelerators is favourable to entrepreneurship evolution, coordination, integration, and exchange of experiences are also needed to enhance competitiveness and develop value chain of this system. This is particularly the case as all sector actors are in agreement that relevant efforts are currently fragmented and piecemeal.

Indicators

- ▶ Percentage of annual increase in the number of enterprises joining incubators, disaggregated by phases.
- ▶ Percentage increase in the number of entrepreneurs to whom incubation services are provided for annual investment, by gender.
- ▶ Percentage increase in the number of persons registered on online freelance work platforms, by gender.
- ▶ Number of forums and coordination and specialized frameworks for small entrepreneurs and self-employed established with regular meetings held at least on a quarterly basis.
- ▶ Number of participants in the annual national conference on entrepreneurship.
- ▶ Number of beneficiaries from business incubation services other than incubation for investment (excluding incubated entrepreneurs), by gender and nature of services.
- ▶ The amount of investment portfolios for, and actual investment in, Palestinian start-ups

Cross-cutting indicators that support entrepreneurship via other programmes under the strategy include introducing entrepreneurship courses through TVET and creating a databank of entrepreneurial ideas and opportunities through the Palestinian Employment Fund.

○ Priority Investment Needed

\$2 MILLION



to design and implement
a training programme

on entrepreneurship targeting male and female youth in partnership with stakeholders.

\$5.1 MILLION



to provide
guidance and technical support

for at least 2,000 male and female youth entrepreneurs.

\$3 MILLION



to provide capacity building to
business incubators

and accelerators in technical support of small enterprises in specialized sectors.

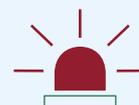
\$2 MILLION



to create a
partnership

between the Palestinian Employment Fund (PEF) and lending institutions for small loans benefitting at least 500 small enterprises.

\$250,000



to develop and deploy a
media campaign

to raise awareness and promote community acceptance of entrepreneurship.

