

Amjad Ahmad: Welcome to empowerME Conversations, a podcast from the Atlantic Council. This show brings you leaders from business and government that shape the future of Middle East economies. I'm your host, Amjad Ahmed, Chairman of the empowerME Initiative. Let's get started.

Palestine's entrepreneurship ecosystem is unique to put in mildly. A small, stagnant economy strangled by Israel's military occupation with restrictions on trade movement and access to limited resources and declining aid, somehow it finds a way to survive with a high literacy rate of 97%. Palestinians have proven to be exceptionally resilient and resourceful as they innovate in critical sectors such as healthcare, education, agriculture, energy, banking, and technology. I am delighted to have His Excellency Osama Al Saadawi, Palestine's Minister of State for Entrepreneurship and Empowerment. A trained engineer, he has extensive experience in managing non-governmental organizations and previously worked as a general director for the Palestinian Housing Council in the Gaza Strip. Thank you for joining us, Your Excellency. I'm also joined by special guest co-host IFTIKHAR Fund managing general partner Habib Hasan. IFTIKHAR is a venture capital fund supporting Palestinian founders in Palestine and the region. Habib has over 20 years of experience and has worked at IBM, PwC, Adam Smith International, and McKinsey. Welcome, Habib.

Your Excellency, we want to give the audience a feel of what you're facing. It's a very unique situation, a very unique economy. Why don't you give us a brief about what entrepreneurs see day to day in Palestine?

H.E. Osama Al Saadawi: Amjad, you already mentioned some concerns we are facing, and it's increasing day by day. Now, the threat of occupation is putting pressure on Palestinians, and it is actually increasing in a dramatic shift. You may know the burdens of the Palestinian economy. First, we don't have access to our natural resources because Israel is utilizing the natural resources to its benefit and preventing us from rising around 42% of the resources of the West Bank. That is called so-called area C according to Oslo. In addition, we have the burdens of the Protocol of Paris. It was designed at the time when Palestinians had 2 million and a half people, and it was supposed to be a transient period for five years and then be changed. Despite this, it continues with additional constraints, so we are really in a very unique situation. In terms of power, we are relying on Israeli networks up to this moment. We are doing some efforts here, but still the main sources, Israeli trade and Israeli network, is fully controlled by Israel. Sometimes we have many problems. In addition, let's say in terms of what affects the people, is the movement from inside and outside Palestine. We have many friends in this regard. The Gaza Strip, for instance, is completely blocked. You'll find young men with an age of 20 or 25 years who have never been outside of Gaza, not even a single time. There is real restriction in movement. The Gaza Strip has its own situation, which is very hard to deal with. The unemployment or people under the poverty line, according to recent statistics, exceeds 80%.

Around 82% are relying on aid in the Gaza Strip. In Gaza, we have a very significant human capital that is not being utilized. We have many graduates and they don't find a job or even a temporary job, despite some efforts exerted by donors to make their life more resilient. But it is steady and there's a lot to do. In terms of technology, we are still under Israeli restrictions as well. We are using 3G technology in most banks and the 2G in Gaza. When you talk about digital transformation and how to do it, it's almost impossible with 2G. This is the main picture. In terms of entrepreneurship, let's say social entrepreneurship is very similar in Palestine. It started earlier during the occupation because we have something like a central government that was the NGOs and civil societies in Palestine, so the culture of volunteerism was very widespread and very common. Now it is a little bit behind because there is a general body of the government responsible. When you find a government taking care of things, the spirit of volunteerism will slow down. We have many workshops in Palestine – the West Bank and Gaza – with stakeholders to discuss entrepreneurship. Due to Israel, we are still suffering day by day and the economic concerns are very huge, so at least we can utilize this window to create better jobs and make little jumps in the growth of entrepreneurship that will, at the end of the day, result in a commercial impact on the policy at no cost. We have to follow this fact. Maybe that's why the Minister in the Ministry of Entrepreneurship and Empowerment was good. That is the main focus. We have many interventions here and there, and we have around 133 startups in Palestine. Some of them are significant and some of them are a little bit humble. But at the end of the day, we have something to rely on. The main role that we see for them is how to integrate these efforts and how to align the resources into the mainstream to create an ecosystem that will convince the private sector that we have an investment pipeline environment in Palestine that will be of success.

Amjad Ahmad: Let's start with the entrepreneurs. Given all these constraints that you have and your unique situation, are most of these entrepreneurs building businesses that solve very local problems? It sounds to me like scaling is very challenging unless I'm mistaken.

H.E. Osama Al Saadawi: You make a very important point and we are very much aware of it. The problem here, as I said, is a restriction of movements. The youth here in Palestine are not exposed, and they don't have enough exposure to outside business environments. Even when we call for ideas, any institution finds some problems with ideas. There are not many. A lot of people cannot create new ideas that could be scaled up and that could be utilized on a global scale. They always look at the Palestinian market taking into consideration that our market is very humble. Our GDP is 15 billion and that's the whole story. We are really looking for how to make such an exposure so that our entrepreneurs can go outside of Palestine and we are in process of getting what is needed to do that.

Habib Hazzan: If I may, Your Excellency, I think recently in the last two or three years, the enablers, the ministry, the private sector, and even the startups are starting to realize that in order

to get funding, scale, and be sustainable, they need to look outside the Palestinian market. That's the common theme that has been evolving recently. Is that the statement that you will agree with?

H.E. Osama Al Saadawi: I totally agree with the statement because, as I said, the local market cannot endorse such opportunities. Really what's happening is that there is a lot of replication, zero in marketing, etc.

Amjad Ahmad: So, Your Excellency, how do you achieve that given all the restrictions? And obviously, you don't control your own destiny in a lot of ways. How do you achieve that? How do you create that integration with other markets today?

H.E. Osama Al Saadawi: At first, we started to look at it with enablers, and we are in the process of aligning all the resources into the mainstream. In the last year, we created a cluster that was composed of 28 enablers. We started with the big enablers of the Palestinian market. They were not talking to each other, and we found some problems among each other, some sort of toxic competition. We created this cluster to have some sort of intelligence coordination mechanism. We agreed to have seven main priorities of intervention that have to be done and all efforts have to fit in these priorities. One of them is the exposure of our youth outside Palestine. The second we agreed upon is our national KPI because each institution has its own KPI, sometimes depending on the donor. Our national number is almost fulfilled at the level of the enablers. We now have the cluster we are frequently having meetings with. We will develop a website that will, for the time being, act as a window for the ecosystem policy so that the youth can access everything through this website, which will serve as a tool in their hands rather than a ministerial website. We started with this issue. Now the end, as you mentioned, everyone is convinced that most of the solutions come from the outside, either to bring people from outside Palestine or to go outside. It will be this concept that is now reflected in many programs at the level of the institutions such as the ministry. We have our plans now. Until this moment, we have some financial recessions because we are in an emergency that is thousands to finance. But now we are promised sincere pledges for agencies to be a part of it. We have the five main pillars of the ecosystem. One of them entrepreneurs, so they are at the heart of the business. We want to make sure that they have proper skills, knowledge, and exposure as well as a message. We are committed to submitting frequently outside Palestine to international occasions, even to Silicon Valley. We have some communications, and we are expecting to proceed in a very short time on how to make them aware of what's going on outside and how to avail mentors from outside who are aware of the characteristics of the external markets. That's really in our heart now as a ministry. They are our main focus. For other areas of intervention, we are now designing programs to tackle each component of the Palestinian ecosystem. At the legislative level, we are committed in the Cabinet for the year 2022 to submit the start-up act law because we have recently passed the Palestinian companies law, which is very modern and very advanced but it

did not address entrepreneurship or startup needs. It was agreed between myself and the Minister of National Economy that it is a separate issue, and that it should be maintained within our ministry because we know what the needs are for youth. We were promised to have some resources, and we need global expertise, not local expertise, to attract people from outside Palestine to come here. We are committed to submitting this law by the end of this year to the Cabinet after the consultation from all the stakeholders.

Habib Hazzan: I might just add as an observer as well as the participant for what the ministry has been doing and the enablers, I think it was identified by the many stakeholders that the key word is access. I think you, Your Excellency, have used this word repeatedly now in this part of the conversation. Access, access, access. I think it is one of the things that have been severed by the Israeli occupation. Look, we have been, as Palestinians, given severed access to our market. We have been severed from the Palestinian diaspora with all kinds of entry limitations on Palestinians who have this document or that document, how we have this passport or that passport, while even citizens of the US, for example, can enter Israel freely without a visa. If they are going to the West Bank and if they're coming to Gaza, then it's a totally different story. To work around all of these things, I think the best thing identified by the ministry and by the many other enablers is to give the entrepreneurs the ability to come up with ideas that don't have to wait until all these restrictions are removed. You have the resilience, the resolve of the Palestinian people and their ingenuity in terror to think in very creative ways of how to scale up their companies and how to solve problems, even without waiting for the liberation and for establishing the state. We see a lot of creativity here that you don't see in other markets. You see a lot of creativity here in terms of working remotely, which was there before COVID and now after COVID became global. But we had our own restrictions and or curfews and or lockdowns that many have experienced since 1967. We are veterans in dealing with lockdowns and curfews. I think this has proven as a resolve for the Palestinian people, and everybody is realizing that in our ecosystem we are working to provide the missing access.

Amjad Ahmad: And how is the funding seen in Palestine? Are funds available for the startups or is it challenging given that they have difficulty scaling? How do you see the financing? And Habib, maybe you can chime in as well because you've obviously raised the venture capital fund. How do you see it play out?

Habib Hazzan: We started our fund in 2015 with a very small \$10 million fund. It's a micro-fund according to international definitions. At that point in time, we were doing the job of NGOs, accelerators, and VC funds all in the early stage. Since that point in time, we can see an evolution. Currently, we are raising a fund that is triple the size – \$30 million. We already did the first closing of \$15 million, which didn't fundraise the second of the \$15 million. We have a very promising pipeline. We already see some angel activity. We see some family and friends investing in startups. We also see entrepreneurs putting out their own resources as well. A while

back, the fear factor was preventing them from doing that. We could also see some of the international organizations working together with the government to create programs that fill the gap in terms of acceleration, creation, and all of that. We have World Bank programs, for example, providing grants of up to \$50,000 for each startup to be investment ready, and giving them an incubation program. We see the private sector also chiming in by creating incubation programs. Bank of Palestine, for example, has Intersect Hub. We have a Flow Accelerator, we have You Make, and The Founders Institute. All of this has been coming recently. As the Minister said, the Ministry is working also to coordinate all these efforts so we don't have duplicates and we don't have everybody running into the same thing, while also governing aspects of the ecosystem. Now, with that being said, I think we are still in need of more funds. I would really love the competition. I would really love to not be the only fund operating in Palestine and to work with other funds and syndicate some deals with other funds, but we are doing it regionally. We have some cooperation with some funds in Jordan. We have some cooperation with some funds in the United Arab Emirates. That is actually bridging some gaps that we have in the ecosystem. Our startups, for example, have attracted investments from 28 regional or international investors in subsequent rounds to the ones that we've done. That's going to aid new investors who are investing in Palestine on merit, not on the philanthropy and not on the emotional, but attractive as an investment case.

Amjad Ahmad: Your Excellency, I'm curious, when you talk about access being the primary thing, we see a lot of funding initiatives, for example, going to Congress about supporting Palestinian entrepreneurs. Does the access issue ever come up? Because it sounds to me like financing is not the biggest issue – it's really about access to markets, so throwing money at the problem is not really the solution. How do they react when you talk about this from the international community side?

H.E. Osama Al Saadawi: First, let's talk about our traditional donors. Last three years, it was mainly maybe the EU and other countries like Germany, that put some resources in terms of funding for entrepreneurship. The question related to the funding or access to finance is: what limit is the public sector engaged in this business? We are not satisfied with what is going on. We have a very clear example. I will say that we have a chance to convince people. They cannot come in the current situation just for the mission of emotions, etc. They have to see a very clear business environment and a very clear enabling environment, so our homework is to develop regulations and the laws that have to be in place to convince people to put their money on the table. And second, we are talking to the donors. We have the cluster. We have, in the near future, extensive meetings with 133 startups. To understand the services needed for them to be developed in a proper way, we want to make sure that they are fit to do their business and that is the fact. After we finish with the startups, we will go back again to the enablers to convey this message. This is what is to be done in terms of their mission. The second, we already have a debate with the donors, and we are trying to align their interventions with our national strategies

so that we have an integration of efforts and do not void their applications. We are interfering with many projects now with the donors at the design stage – that is the most sincere. In addition, we have a decree in the Cabinet to have a sector working group. We have nine sector working groups for other sectors to add a new window for entrepreneurship. The government is keen about the Palestinian youth between 10 years old and 29 years old, which are 22% of the overall population and many of them are highly educated. The problem in this cluster of people, the people who are not educated, the unemployment rate is very much lower. But we have a problem with the graduates because they don't have proper job opportunities. Many of them came from I.T. backgrounds, so they are resources that we can utilize very fast. We have many businesses in terms of digital transformation because we cannot have a flagship without the driving force, which is digital transformation. We are putting a lot of effort now in terms of e-government and e-payment. We have contracts and we have released as a pilot trial, and it will be within this year. We start with the government-citizen and later on, we want to see it expanded throughout the country. This is the story. First, we need to fulfill our homework and at the same time, we need to talk to the private sector. And after we have some level of confidence with our regulations, with our startups here in Palestine, with enough exposure, then I think money will come. I saw some studies that the contribution of money for the success of the startups globally does not exceed 24%. The most important is the concept, the idea of the ecosystem. It is an integrated effort, not only is the funding significant, but it is not the driving force. I think the driving force is the human capital. We have very solid human capital with a business-enabling environment supported by an educational system, which is the end result and addresses the market need. I think then we will succeed.

Amjad Ahmad: I want to give Habib the opportunity to ask some questions. So please, Habib.

Habib Hazzan: I think one of the things that we ought to continue is the theme about the access. I think one of the important factors in our access to other markets is the use or utilization of the Palestinian diaspora. For example, we are going to invest a portion of the fund, but not a lot, in startups that are established by Palestinians in MENA region. And the question: What do you see as the role of the Palestinian diaspora in strengthening the entrepreneurship ecosystem in Palestine? And this, I think, goes along the lines of the axis that we were talking about.

H.E. Osama Al Saadawi: Yes, and I think many of them are living within a very small business environment, have the knowledge, expertise, and others maybe have the financial resources to invest in Palestine so they can have a major role in this regard. As an outcome of ISEP 1, 2, and 3, we have some contacts from people. Habib, you know ISEP and what I mean by it, maybe you can explain?

Habib Hazzan: ISEP, for those who do not know, is the International Conference for Entrepreneurship in Palestine.

H.E. Osama Al Saadawi: Exactly. We have contacts with them, and they are ready to help in promoting our business. I think this will be a major role, and once we have the platform in place, we will invite them to be part of that. In addition, we have recently contacted neighbors in the region who have had success in terms of entrepreneurship. We have good communication with Tunisia. They have a very good ecosystem and they are ready to assist us in our mission. They are ready also to open their markets to Palestinian entrepreneurs to make benefit from the ecosystem that is there. Recently, I was in Turkey and we have the same concept and they are ready now to enable us to use their infrastructure. What is lacking here is something like finance. We can use their infrastructure and we will conclude together the plan of action, but we are preparing it now and we will have it in place in the very near future. We have to rely on our brothers and our friends in the region that we can find support from, countries like Egypt and Jordan as well. I can say that now we have a very clear of what we have done and it's communicated with others like you. And every one of the stakeholders, businesses know what to be done and how to do it. I think this is our role mainly to open the road for the private sector as a government. We are not in the ministry. We are not looking to implement an agency. We are not looking at ourselves as the integration entity, as coordination and monitoring and evaluation. This is not all that we are satisfied with.

Amjad Ahmad: Your Excellency, just to push on that issue of talent and giving the youth there a little bit more exposure to international best practices and technical expertise. We saw a couple of announcements with regard to Google and AstraZeneca and other things that you've signed for actual training. Is that being implemented? And how useful do you find it when corporates set up centers there? Is there a pipeline of others looking to do so?

H.E. Osama Al Saadawi: AstraZeneca has an agreement with Orange Corners. Orange Corners is active in Palestine. They now have a huge project with Flow Accelerator, and it's a very extensive program and I think they will benefit from AstraZeneca, which we found in Jordan and we can later stage it here.

Amjad Ahmad: How are you finding the interest from corporates outside in terms of setting up centers and training? Is it robust or is it just marketing?

Habib Hazzan: I think it's shifting. A few years ago, it was some lip service for that balance that everybody was looking for because all these multinational corporations were in Tel Aviv or in neighboring places. They paid lip service to that balance, but recently we see that they are recognizing the talent, they are recognizing the global shortage of talent, and they are opening R&D and are working directly or working Palestinian outsourcing companies to hire very good engineers. It has been recently even the case that the Israeli government, after years of only restricting Palestinian talent, has been piloting a program where they are going to give permits to Palestinian engineers to work directly in Israel. That is under the label that Israel cannot be racist

anymore and they cannot afford to be racist anymore. With the global shortage of talent, they are looking to take another resource of ours, which is talent and brains. It was not out of human rights or anything like that, but it's because of the shortage that there is there.

Amjad Ahmad: Well, that's okay. If the need drives positivity for the ecosystem, that's fine.

H.E. Osama Al Saadawi: They're in it. They're in urgent need.

Amjad Ahmad: Interesting. If Palestinian engineers can benefit from that, why not do it?

H.E. Osama Al Saadawi: We have to be cautious.

Habib Hazzan: We would prefer that these jobs stay in Palestine rather than take the engineers to Tel Aviv. But eventually, the know-how transfer will—

Amjad Ahmad: That's the key.

Habib Hazzan: Right. The exposure to multinationals, whether it's direct or through their R&D centers in Israel, is a key competitive advantage to Palestinian tech and Palestinian talent. I don't think any other neighboring country, Jordan or Lebanon, has that kind of exposure. We utilize that in order to create better startups for their companies and to be more competitive. That's eventually what matters, really.

Amjad Ahmad: Absolutely. To end on a high note, what has worked in terms of investment? You mentioned, Your Excellency, sectors that you're focusing on. If you were to talk to a room of investors today, what has worked? What sectors do you think make sense for the environment that you're in? Habib, maybe you can chime in as well since you've already invested. What are some of those sectors that have worked in Palestine?

H.E. Osama Al Saadawi: At the local level, maybe agriculture, even in the south of the region. We have a common vision with the Prime Minister himself and he is looking at Palestine. We are trying to make branding in terms of I.T. Palestine is its own brand in terms of information technology because we have a lot of graduates in Palestine, we have the youth cluster of 22%. We started the Palestinian Coding Academy for the skills of youth and we have a very successful example. We have two cohorts that graduated of 129 and they found a job immediately after graduation and at a very significant scale, not a local scale. We will continue in this regard, continue this program, and extend it in the same manner as cohorts one and two. In the ministry, we are designing new programs for this sort of program, but we will make use of the I.T. graduates. If we take the I.T. graduates, it's very simple to enhance and upskill them. But when we talk about people from backgrounds like us, etc., who are included in cohorts one and two, it

was really a successful example, but it was very expensive to us as a government and we requested that each candidate shares less than 10% of the cost of the training. That was for a month. We will continue on this track.

Amjad Ahmad: Excellent.

Habib Hazzan: From what I saw there and the investments that were successful, whether it's in our portfolio or other companies that have come out of Palestine, are companies that have some kind of deep reliance on technology, e-commerce, and similar things. In our portfolio and in others, we saw very successful companies doing SAS, for example, serving SMBs all over the regions. We saw a lot of companies that are enabling e-commerce or supporting logistics, supporting loyalty for example. Companies like logistics, companies like Gamify, and others that are basically enabling people to do better e-commerce. It's less coming out of Palestine of companies with brand names because that needs a lot of deep pockets and building brand recognition, which is not exactly our sweet spot.

Amjad Ahmad: By the way, I saw some statistics about women entrepreneurs. I think you have very good statistics in terms of women entrepreneurs. Is that correct?

Habib Hazzan: I leave it to His Excellency, but I think we are faring better than New York in that we have a higher percentage of female founders in our fund than in many other funds. We have 40% in our fund of female founders.

H.E. Osama Al Saadawi: The issue is leveling involvement of women in the graduates because it's higher than the men. In terms of the governmental employees around 49% of the governmental employees are female, so the government itself is committed. But where is the problem? It's in the private sector because the Palestinian business lies in small SMBs and such sort of business. It's actually family businesses that put a lot for men, and females cannot benefit in all cases from such business. But I saw some reports recently regarding the female contribution to I.T. in outsourcing because there is no need to be physically present. They find it maybe for economic reasons at lower salaries. They have enough skills and expertise, so the percentage is growing.

Amjad Ahmad: I think if there's flexibility, it really adds to women being able to work. Corporate flexibility is really important. Thank you very much, Your Excellency. Thank you, Habib. I really appreciate your feedback. I think our audience has learned a lot. We don't hear a lot about the ecosystem, but hopefully going forward we can hear from you more and anything we can do to try to help the ecosystem develop. We'd love to lend a hand.

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