



## FEMIP

Technical Assistance for the Development of the  
Palestine Information & Communication Technology  
Incubator (PCTI)  
Final Report





TA2010013 PS FTF

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# **Technical Assistance for the Development of the Palestine Information & Communication Technology Incubator (PACTI)**

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Giordano Dichter, Technical Assistance Coordinator/Director

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## **A. Preamble**

The present report has been prepared following the completion of the technical assistance provided to PICTI in the framework of the project “Technical Assistance for the Development of the Palestine Information & Communication Technology Incubator (PICTI)”.

The technical assistance is financed under the FEMIP Trust Fund. This Fund, which was established in 2004 and has been financed – to date – by 15 EU Member States and the European Commission, is intended to support the development of the private sector via the financing of studies and technical assistance measures and the provision of private equity.

The authors take full responsibility for the contents of this report. The opinions expressed do not necessarily reflect the view of the European Investment Bank.

## **B. Status of the TA operation**

The technical assistance (TA) foresaw actions in support of the development of PICTI through ad-hoc training sessions and tool/process development support in the following 5 fields:

- Business Planning and Marketing Strategy;
- Lead Generation, Technology Evaluation and Commercialization;
- IP and Technology Transfer;
- ICT Business Models;
- Fund-raising.

During the course of the technical assistance action, some modifications to the initial program have been undertaken, due to the changing nature of the beneficiary and to the evolving situation in Palestine. The rationale of these changes can be read in the intermediate report that was submitted to and approved by the European Investment Bank on 31 January 2012. To summarize, it was necessary to:

- Support PICTI in the definition of the Business Model;
- Support PICTI in the introduction of international Soft-Landing services;

- Support PICTI in project engineering in a wider context;
- Respond to the need to reshape its image in the territory and abroad;
- Launch the new PICTI in Palestine.

### **C. Summary of the activities implemented**

The following experts were involved in the training and in the process/tools development missions:

- Francois-Louis Billon (Business Planning and Marketing Strategy);
- Wissam Rabadi (Lead Generation, Technology Evaluation and Commercialization);
- Gudrun Rumpf (IP and Technology Transfer);
- David Tee (ICT Business Models);
- Rick Salmon (Fund-raising).

The experts undertook 3 missions each, the first one (5 days) aimed at delivering the training modules, the second one (10 days) aimed at developing the internal processes and the tools, and the third one to participate in the final event and to provide final recommendations to PICTI.

Since, as expressed before, some actions needed to be added to the technical assistance, new experts were later put on board. These are:

- Robert Sanders (International projects and soft landing);
- Cedric Hananel (marketing and communication expert);
- Giordano Dichter (incubator business modelling).

One mission each was carried out by the first two experts (5 days each), while Mr. Giordano Dichter undertook two 5-day missions to ensure the proper expertise in incubator business modelling.

The following activities have been implemented:

- Organization and delivery of a fully-fledged training course to PICTI's staff and to the local stakeholders of the incubation eco-system in Palestine;

- 5 process/tools development missions were then implemented to put into practice the elements of the training sessions, which brought to the introduction of new tools and methods relevant to the incubation process;
- Building of a new business model for PICTI taking into consideration the peculiarities of the region and the central role of the organization within Palestine;
- Introduction of an international soft landing platform, to support the acceleration of Palestinian companies;
- The creation of the marketing strategy for PICTI;
- Accreditation of PICTI as an EC Business and Innovation Center;
- Final event to promote the new PICTI in Palestine.

## **D. Considerations & Lessons learnt**

Several considerations, some already stated in the inception and intermediate reports need to be made in order to fully understand to what extent the technical assistance activities have produced results up to now.

### **D.1 The training phase**

1. The training to PICTI staff has been designed and organized taking into account the high technical competencies of the staff and the quality of the tools and processes PICTI has been operating since. Therefore it has been necessary to concentrate on the introduction of the new incubation tools and methodologies that have been elaborated in wider context (Mainly Europe).
2. It was necessary to support PICTI in better establishing its role within the Palestinian business and innovation support ecosystem and its positioning within the incubation pipeline within the ICT business service sector. For this reason the first training session (5 workshops were delivered within July 2011) involved all the interested and relevant actors in the territory (mainly universities and centres of excellencies).
3. As a result of the training and of the technical assistance delivered, PICTI has had the chance to better establish itself as the reference ICT incubator in Palestine. Indeed

several MOUs have been signed to date between PICTI and some Universities and Centres of Excellence, while others have been initiated.

4. The rationale behind this is to improve the deal flow of companies coming to get support from PICTI, whereas it has been deemed appropriate to implement a model which shifted the pre-incubation activities towards the other actors (e.g. universities), which could come up with better oriented and trained entrepreneurs, shifting a reasonable part of the initial selection process, and leaving in-depth incubation and post-incubation functions to PICTI.
5. This has allowed two things:
  - a. A higher degree of time and attention devoted to the development of the incubation stage of the selected ICT companies;
  - b. The development of the activities needed to accelerate the existing SMEs in Palestine operating in the ICT sector.
6. Also thanks to the contribution provided by the TA, PICTI has decided to move forward towards a new business model which takes into account the aforementioned statements. A business model which considers concentrating more on the incubation and expansion stages of the companies' life, as well as on the definition of services and activities to support the acceleration of the existing companies in Palestine.
7. The above actions and considerations have brought to the ongoing redesigning of PICTI's internal organization and business model, bringing (a) the needs to redefine internal competences, roles and staffing, and (b) the need of reviewing its branding and corporate image, as to represent the novelties within the organization.

## D.2 Process/tools development missions

1. All five process/tools development missions have been implemented in all fields of technical assistance producing good results in terms of the enhancement of not only PICTI's staff capability to serve their client companies, but also the capacities of the stakeholders within the network which form the incubation pipeline in the Palestinian Territories.
2. Various tools have been introduced in PICTI, such as the Synopp method for business planning and the Business Model Generation tool as well as a simple tool for assessing

the need to proceed on IPR acquisition. New evaluation criteria were passed onto PICTI in terms of business planning and technological evaluation/commercialization.

3. Activities to introduce more effective and efficient fund-raising have been undertaken during these missions as well, as it was deemed that the overall connections with the funding opportunities available was weak, not because PICTI itself was unprepared, but mainly because the hosted entrepreneurs and the supported companies were not at that stage yet, the problem being the total lack of early-stage funding opportunities other than some grants delivered by some donor agencies (e.g. USAID).
4. It is the expert's opinion that PICTI and the surrounding local stakeholders are now endowed with sufficient tools to undertake the incubation process, although some effort needs to be put in increasing the capacities of the actors who will be devoted to the pre-incubation stage.

### D.3 PICTI's new Business Model

1. Benchmarking PICTI against the EBN community has been an activity undertaken under the scope of the TA. Indeed Mr. Hasan Omar, PICTI's CEO, has participated in the EBN congress and has visited 5 Business and Innovation Centers (in France, Luxembourg and Belgium). This activity has also led to inspiring thoughts about the conceptualization of a new business model, which could more closely refer to the BIC innovation-based incubation model and the EC-BIC Quality Mark Criteria.
2. This new business model needed to incorporate some elements that responded to the territorial, political and social challenges of Palestine. These have been referred to as:
  - a. The need of PICTI to act as a "social" incubator. This has been translated as the need to make sure that the incubation process is "open to all", trying to minimize the entry barriers as much as possible. The case where youth and fresh graduates with brilliant ideas cannot be supported because simply they do not have their own resources to participate in the pre-incubation stage needs to be avoided as much as possible. The issue of life sustenance while pre-incubating is an important one that is being addressed by PICTI through the systematization of small grant schemes.

- b. As an “agent of change” PICTI is entrusted by the Palestinian Authorities and stakeholders to pursue a mentality change from a “safe job” mode to a career-driven and “risk-taking” mode. This implies specific actions that need to be implemented aimed at stimulating an entrepreneurial mode mindset, which have been incorporated in the PICTI’s business model.
3. PICTI’s progress from an incubator to an incubator/accelerator lead to the need of establishing some program of support to the existing SMEs in the ICT sector in Palestine. The introduction of the soft-landing component within the range of PICTI’s services represents a first answer to this need and has been incorporated in the business model, although more elements will need to find their proper structure within PICTI’s acceleration process.
4. An independent evaluation has been carried out to benchmark PICTI against the EC-BIC quality mark criteria, the only EC-recognized standards of innovation-based incubation. The evaluation has gone through all the major aspects of PICTI’s mission, organization, services and performances. The outcome of the evaluation has shown that PICTI has been successfully granted the use of the EC-BIC trademark as it meets the EC-BIC quality Mark Criteria. Therefore PICTI is to date an EC Business and Innovation Center.
5. The centrality of PICTI in the new layout of the entrepreneurial support system in Palestine has brought to the identification of all the customer/stakeholder segments which PICTI must address and to the definition of the value propositions to each one of the segments. It is clear that PICTI serves a central role when private sector development is tackled by all and the work (always in progress) is to maintain this central position as the organization that “can make things happen” when the goal is to achieve higher levels of private sector development.
6. The definition of the pre-incubation and the incubation process has been also subject to analysis as it is a central part of the business model. Indeed the income generation coming from the application of the incubation process is central to the overall implementation of the business model itself. The following has been decided:
  - a. To put in place a pre-incubation process “open to all” with the following characteristics:
    - i. 1-month 500 US\$ grant to all applicants;

- ii. After 1 month, applicants must convince a committee to receive further grants to implement the business plan;
    - iii. After another 5 months (max), PICTI will evaluate if the entrepreneur has what it takes to be incubated;
    - iv. Grants can pay for services;
    - v. No 100% grant scheme. Indeed the entrepreneur needs to show some entrepreneurial spirit providing a matching fund to the grant (e.g. 10% increasing over time).
  - b. To put in place an incubation process with the following characteristics:
    - i. Services are paid for (even if introducing this will take more time and the fees will be growing over time);
    - ii. Initially the incubation phase will be subsidised;
    - iii. PICTI will set up a fee structure.
7. The elements in point 16 bring about a few considerations that need to be taken into consideration. Indeed It will be likely that in the first years income generated through a fee structure will be lower than the costs sustained to offer the services. The difficulty to get revenues from fees to new entrepreneurs immediately is clearly recognized, since there will be an immediate difference between the cost of the services which will be higher in the beginning of their perceived value (or of the ability of entrepreneurs to pay).
8. The situation needs to be balanced in year 1 to year 5 with other income-generating activities which have been identified as:
  - a. Sponsorships;
  - b. The acceleration program and the services associated to it (profitable from day 1);
  - c. Projects;
  - d. Financial operations;
  - e. Subsidies .
9. For each of the above-mentioned, feasibilities are now being undertaken by PICTI's management.

#### D.4 The acceleration program

1. PICTI's need to internationalize was made clear from day 1. Indeed the Palestinian market is simply not big enough to provide for the companies' sustainability. As the need to support internationalization processes was clear, the connections to other realities which could support such process was weak.
2. PICTI has been therefore introduced to EBN softlanding platform where incubators share the possibility of co-incubating companies for business-oriented purposes. This platform gives PICTI the possibility to provide support to companies out of Palestine that wish to do business in Palestine and to have their companies benefit from the same type of support, coming from similar organizations, when PICTI's SMEs want to explore new markets. Given the political situation in Palestine, where free movement of goods and people is not to be given for granted, the platform adds a channel to vehicle innovations under various forms. More generally, PICTI can now take profit from the numerous networking opportunities offered by the EBN network.

#### D.5 Project engineering

1. Given the wide variety of donors present in Palestine, PICTI needed to be empowered in project engineering techniques. A full training course has been delivered in that sense, to make sure that (a) PICTI could benefit from the experienced and pragmatic advices of the international project unit in EBN, and (b) to customize the knowledge when it comes to address other potential funders (other than the EC). These skills are increasingly needed as project development is an integral part of the business model and has most importance in its next 5 years of operations.

#### D.6 PICTI's visibility

1. When the technical assistance project started in March 2011, PICTI was a 7-year old incubator which was at that point reaching maturity. Indeed, as already reported, the staff and the organization was meeting higher standards than initially expected. Although the incubator itself was very positively reviewed from the outside world (at least among the incubators who knew about its existence), not the same can be said when taking into consideration the local stakeholders.

2. The significant changes undergone by PICTI during and thanks to the EIB technical assistance actually did bring out a new concept of PICTI. As can be read above, among other things:
  - a. A new business model has been conceived;
  - b. A new strategy has been proposed to the board of directors;
  - c. New tools and new processes have been introduced in the incubator in terms of:
    - i. Business planning
    - ii. Business modelling
    - iii. Intellectual Property Rights assessments
    - iv. Technology evaluation and commercialization
    - v. Fund raising techniques
  - d. Project management techniques have been introduced;
  - e. Opportunities to participate in a soft-landing platform for the existing SMEs have been introduced, enabling local entrepreneurs to connect internationally;
  - f. An introduction to the leading network of innovation-based incubator, which also brought to the recognition of PICTI as an EC Business and Innovation Center brought to the possibility of exploiting the EC-BIC trademark.
3. All the above required to re-position PICTI among the local stakeholders of both the public and the private sector, making them aware of the changes and of the “new” PICTI and of the positive transformations undergone.
4. Therefore the following has been done to provide PICTI with the assistance needed to enhance its communication strategy:
  - a. Support to the designing of the new PICTI Website;
  - b. Creation of a communication strategy that has been submitted to the PICTI board of directors.
5. Furthermore an event took place on 26 June in Ramallah, to present the new PICTI, the new Palestinian Business and Innovation Center and its new model to the Palestinian stakeholders. Overall the new PICTI was presented to over 60 persons, representatives of the public, private and third sectors.

## E. Strengths of the TA operation

The TA could initially benefit from a strong know-how of PICTI's internal staff. This brought to the re-designing of the overall training course, in order to better meet the needs and the increased expectations of the incubator staff. Furthermore the decision to enlarge the number of trained people, by opening the training also to the universities and the centres of excellence, has proved to be a winning one, as this brought to a higher degree of homogeneity when introducing the new tools, procedures and overall knowhow. This also brought to a wider acceptance and recognition of the role of PICTI within the entrepreneurial support system in Palestine, facilitating the integration of pre-incubation players with the incubation/post-incubation one (PICTI).

The introduction of PICTI to the European business incubation context has been another point of strength of the TA operation. Indeed PICTI is now visible, as an accredited EC-BIC, to a wider community of peers, which hopefully will interact creating positive synergies.

The TA operation could also benefit from a well-balanced and prepared team of experts. Although none had direct experience in Palestine, the level of integration with the culture and the societal characteristics has been impressive. The experts were also quite flexible in terms of adapting their schedules and their programs to a context which can vary (and indeed it did vary) on a day to day basis.

Indeed this ever-changing context brought to a major redesign of the TA operations activities which was needed to better tailor the TA to PICTI's needs. It would have been indeed short-sighted to proceed with the TA as initially thought without incorporating major changes that were happening under the consultant's eyes.

Overall it can be stated:

1. that PICTI benefitted from serious expertise which brought new concepts, new tools and new visions;
2. These novelties were transferred also to other actors in the Palestinian incubation and pre-incubation system;
3. This expertise was brought in at the right time, when PICTI was enduring into an internal discussion on how to change and what to change within the organization

4. PICTI benefitted from wide international exposure and will hopefully get more through its new status as EC-BIC;
5. PICTI's internal re-positioning exercise was underlined by a serious discussion on the business model and its strategies.

## **F. Difficulties encountered during the TA operation**

The main problem arisen during the implementation of the operations were due to the sudden change of PICTI's staff during the process/tools development missions. Indeed most of PICTI's staff changed during that period (including PICTI's management), leading the TA coordinator to decide to delay and reschedule the activities until new staff was recruited.

While proceeding in the delivery of the technical assistance it became apparent that the activities, as described in the inception report needed to be reshaped, to better answer to PICTI's needs. This brought to two major weaknesses which can be described as:

1. The nearly impossibility to put PICTI closer to the SADARA venture capital fund. This weakness was mainly due to the endemic characteristics of the incubated companies which needed early-stage capital and were definitely not ready to enter the venture capital market. While there still is a sense in considering PICTI a possible source of deal-flow to the venture capital fund, this will probably shape up once PICTI will start actively working within the newly-formed incubation process which delegates the pre-incubation stage to other actors, freeing PICTI's time and resources to concentrate on more-advanced SMEs.
2. There is a strong need to professionalize and train the organizations that have been selected to run the pre-incubation stage in the immediate periphery of PICTI's core mission. To this end a pre-incubation pipeline model has been created during the TA, but it needs serious training to see it come to life. Universities, Centers of Excellencies and Youth Development Resource Centers have been identified as those who will carry on the pre-incubation process, and their will to do so has been positively assessed. What they need is to learn quickly the "how-to".

## G. Recommendations for future similar activities

We think PICTI is one of the most positive incubation experiences happening nowadays in the Middle East, rendered possible by the commitment of the Palestinian Authorities, as well of the surrounding local stakeholders which are actively contributing to shape a friendlier eco-system for the young and innovative entrepreneurs in the ICT sector, and, of course, thanks to the facilitation of international donors. A well-prepared and committed team is in place. Tools and processes are there, and the accreditation as an EC-BIC gives PICTI the credibility to endeavor its mission. We believe, notwithstanding changes in the political and social factors, that PICTI has the opportunity to become the major interlocutor in the region when businesses need to be supported and entrepreneurs need to be encouraged.

Along all the actions implemented during the technical assistance, some definitely need some follow-up, as they are central to a fluid incubation process taking place in Palestine. These are:

1. Capacity building to ensure that the pre-incubation phase runs professionally and smoothly. The experts involved in the Technical Assistance operation provided, as much as they could training and capacity building also to the organizations that are now required to take in charge the pre-incubation process, but to be effective, the staff of these organizations (Universities, Centres of Excellencies, Youth Resource Development Centers) need a strong capacity building program built around them, with the support of PICTI. The overall action needed has been conceptualized and engineered, the idea consisting of (a) a first phase of full-immersion training through a dedicated boot camp and (b) a second phase of ongoing accompaniment to the staff involved, putting into practice the pre-incubation model earlier defined.
2. The need to support PICTI on a more continuative basis providing more networking opportunities which turn into more growth opportunities for their companies. The best possible action on this side would be to set up a “mentoring” approach which would provide insights to PICTI on a more constant basis.

Last, but not least, a multi-level support approach to the incubators in the MENA region could be supported through the FEMIP fund. The existence of a regional network of incubator (MENAINC), can serve as the basis to support a wider strategy of technical assistance to create a greater deal-flow towards the venture capital funds initiated and managed in collaboration with the European Investment Bank.







Facility for Euro-Mediterranean Investment and Partnership

To contribute to the growth and development of the Palestinian ICT sector, the project “Development of the Palestine Information & Communication Technology Incubator (PICTI)” was designed with the financial support of FEMIP Trust Fund. It consisted in providing the advisory services to the PICTI with a view to increase its efficiency in incubating viable ICT businesses and thus to increase the number of viable Palestinian ICT start-ups flowing into the market. The advisory support to the PICTI was provided through coaching and training and also included the setting-up of processes and procedures to ensure a degree of permanence of the transferred expertise.

## Contacting EIB-FEMIP

### Operational contacts

#### Egypt

6, Boulous Hanna Street

Dokki, Giza

12311 Cairo

☎ (+20-2) 33 33 32 50

☎ (+20-2) 33 36 65 84

✉ [cairo@eib.org](mailto:cairo@eib.org)

#### Morocco

Riad Business Center, Aile sud

Immeuble S3, 4<sup>ème</sup> étage

Boulevard Er-Riad

10100 Rabat

☎ (+212) 537 56 54 60

☎ (+212) 537 56 53 93

✉ [rabat@eib.org](mailto:rabat@eib.org)

#### Tunisia

70, avenue Mohammed V

TN-1002 Tunis

☎ (+216) 71 11 89 00

☎ (+216) 71 28 09 98

✉ [tunis@eib.org](mailto:tunis@eib.org)

### Press contacts and general information

#### Anne-Cécile Auguin

☎ +352 4379-83330

☎ +352 4379-61000

✉ [a.auguin@eib.org](mailto:a.auguin@eib.org)

#### Information Desk

☎ +352 4379-22000

☎ +352 4379-62000

✉ [info@eib.org](mailto:info@eib.org)

#### European Investment Bank

98 - 100, boulevard Konrad Adenauer

L-2950 Luxembourg

☎ +352 4379-1

☎ +352 437704

[www.eib.org/femip](http://www.eib.org/femip)