MID-TERM REVIEW

BUSINESS START-UP INCUBATORS SUPPORT (BSIS) PROJECT

COUNTRY: PALESTINE

CODE NAVISION: PZA120281T

FINAL REPORT

Executive summary

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This review has been realised in the framework of the cooperation between Palestine and the EU / Belgium.

The report has been drawn up by independent external experts.
The opinions expressed in this document are those of the authors and do not necessarily reflect the views of BTC, the Belgian Development Cooperation or the authorities of the country concerned.

Intervention form

Navision code BTC:	PZA120281T
Partner institution:	EU
Number of EU Agreement:	ENPI/2014/350-744
Implementing Consulting Firm:	Consortium of B&S Europe, SPARK and Leaders
Duration of intervention:	48 months (36 months implementation)
Starting date of intervention:	December 15, 2014
Partner Contribution:	EUR 3,500,000
Belgian Contribution:	EUR 0
Total Contribution:	EUR 3,500,000
Intervention sectors:	Private Sector Development

Intervention summary
The BSIS project is aimed to raise awareness and prepare potential entrepreneurs to translate their ideas into viable business plans. In addition, it aims to provide the different partners (women and youth organizations, business centres, etc.) with capacity-building and awareness programmes to enable them to better support potential entrepreneurs. Furthermore, a pool of locally accredited business advisors will be created to advise potential entrepreneurs and partner institutions. A voucher scheme will be set up to facilitate entrepreneurs' use of the business advisors services. The project also aims to create a virtual one-stop-shop to assist MSMEs to get access to finance.

Evaluation team
Gerrit Ribbink (team leader) and Rania Sweiti (local expert)

Executive Summary

The Business Start-Up Incubator Support (BSIS) project is funded by the EU through BTC and implemented by a consortium led by B&S Europe together with SPARK (Netherlands) and Leaders, a Palestinian consultancy firm based in Ramallah. The project implementation formally started in July 2015 and will run till December 2018. The general objective of the project is to upgrade 6 existing business incubators and to facilitate the creation of 120 viable and sustainable start-ups.

The mid-term review of the BSIS project takes place at about 2/3 of the project period, with only about 12 months to go. However, due to delays at the start of the project, the actual implementation of the planned project activities did not start until August 2016. Thus, the effective time available to achieve the expected outcomes was actually less than 2.5 years. This also explains the late planning of the MTR. The main objectives of the MTR are to assess the progress made to date and, based on that, present recommendations on how to improve the project's outcomes.

The MTR included a desk review of project documents and a 10-day field visit to OPT during which 5 of the 6 business incubators were visited, a sample of start-up entrepreneurs and business advisors were interviewed in all the locations, and meetings were held with the project team and other stakeholders. Unfortunately, it was not possible to visit the BTI incubator in Gaza, so a Skype interview was held instead; likewise with B&S Europe and SPARK. The team was supported throughout the field trip by Raed Rajab, the BTC Project Coordinator and Technical Adviser.

The main findings of the MTR are:

- Despite the late start of the project, some of the expected outputs are on track, at least in quantitative terms, whereas others are lagging behind. The main focus has been on achieving the numbers of participants in awareness seminars, boot-camps and SYB training courses.
- Some of the more structural components of the project, such as the setting up of a voucher scheme and an accreditation system for business advisors have not yet been implemented.
- The project has a complicated structure, with several hierarchical levels, and a strong dependency on short-term experts to deliver specific expertise required to implement certain activities. This has been an important factor leading to delays in the implementation process.
- The Project Implementation Unit (PIU) has followed a top-down approach, in which the incubator managers were not actively involved in the decision-making process. Moreover, the interaction with and between the incubators has been quite limited.
- The B&S consortium and PIU, taking its cue from the ToR developed by BTC, has designed the project in such a way that there is a strong focus on quantitative targets – which in some cases are not clearly defined – at the expense of qualitative targets, which can jeopardize the achievement of the expected outcomes and the impact of the project.
- Among other things, this is apparent in the "one-size-fits-all" approach, in which the same kind of training is given in all the incubators, without taking into account the different stages of development of those incubators. Moreover, the SYB training is limited to assisting the start-ups to develop a Business Model Canvas, which is not enough to start their business.
- The voucher scheme, which has yet to be implemented, has not been designed in a demand-driven way, due to concerns that there would not be sufficient demand if the start-ups would need to cover part of the cost. While this understandable, it misses the crucial point of a voucher scheme, namely that it is intended to let beneficiaries appreciate the value of BDS and get used to the fact that there is a cost involved.
- In the current proposal for the voucher scheme the tool is not very useful and unnecessarily costly, as most of the services requested could also be provided directly by the incubators. The voucher scheme has more added value for MSMEs that already have some business experience and require more sophisticated types of BDS.
- On the upside, the PIU with support from BTC, has been quite successful in getting buy-in from other donors – e.g. DAI/World Bank and KOICA – to contribute funds to the voucher scheme under certain conditions, which would increase the outreach of the fund and could lead to its continued existence after the end of the project.
- On the whole, relations with other stakeholders, ranging from government institutions (e.g. MoNE) to organisations that provide seed funding (e.g. Ibtikar, IRPAL, Taawon, Wafaa) are quite good, although there is hardly any cooperation with other incubators.

In view of all these and other findings, we conclude that **the project is relevant** for the needs of the beneficiaries – both the incubators and the start-ups – at least in its original conception. However, the actual interpretation of some of the planned activities is too narrow and the "one-size-fits-all" approach reduces the practical relevance and added-value of the project intervention.

As for the **efficiency of the project** we found that that there are issues that need to be addressed, that may affect the overall performance of the project. These issues include:

- More active supervision of incubators
- More coordination with incubator managers
- Less dependence on short-term experts
- More involvement of university staff to support start-ups
- SYB training should meet the needs of the incubated start-ups
- More follow-up support is necessary in the incubators

In view of the limited time that is left, it is recommended to focus on the main and achievable outputs, and those with a long-term impact, with a stronger emphasis on the quality of those outputs. Thus the setting up of a national accreditation system, for which an STE has been recruited, but which is not even formally part of the Results Framework, should not be prioritized.

Where the **effectiveness of the project** is concerned, we consider the likelihood of achieving the expected outcomes as quite low. This is partly due to the late start of the project and delays suffered due to the complicated design, in view of which the targets are quite ambitious. However, the top-down approach and the lack of delegation of responsibilities to the incubator managers have also played a role in this respect. Moreover, the B&S consortium has not made effective use of capacity and resources available within the consortium, e.g. material developed by SPARK. To some extent, the strong focus on quantitative targets is also to blame.

Another complication in this respect is the lack of a clear definition of the outcomes in the Results Framework. Thus, there is no definition of a start-up in the "objectively verifiable indicators" mentioned for Results 1 and 2 (see Annex 7). Neither is it clear what is meant by "access to finance": does this only refer to bank or MFI finance or also include seed capital from grants or venture capital? If these outcomes are considered important, then at least there should be agreement on how to define the corresponding verifiable indicators.

Although it is still too early to predict the **impact of the project** in the long-term, it is likely to be less than expected. External factors have played a role, both in a positive sense - e.g. the availability of seed capital - as well as in a negative sense. The latter includes the complicated political situation, which leads to logistical problems and higher costs, and the lack of market potential as a result. Thus, while quantitative outputs and, to some extent, outcomes may be achieved, the sustainability of those outcomes is doubtful, let alone the attribution of those outcomes to the project.

The **financial and economic sustainability** of the incubators varies strongly, not very different from the situation at the outset of the project. Moreover, the strong incubators which are financially sustainable are those that have support from other funders (Bethlehem and Ramallah) and/or are well embedded into the university (Gaza and Hebron). The other two incubators, which were struggling when the project started, are still struggling and do not appear to be sustainable as things stand now. The PIU and IPMs need to prioritize the development of an exit strategy.