

The Rise of Palestinian Entrepreneurs in Jerusalem



By Rateb H. Rabi

Friends, family, and fools are your cornerstone when you want to become an entrepreneur in East Jerusalem. As unemployment is on the rise in Jerusalem, especially among women – the statistics are alarming and frustrating – you may want to imagine a kingdom of your own, independent from restraints imposed by a boss, and most likely you are filled with the passion to succeed. But following your passion for a start-up in Jerusalem is nearly Mission Impossible, as a dear friend of mine describes it. It is more challenging here than anywhere else in the world. There are innumerable restraints and obstacles that need to be overcome, especially if you are the Palestinian holder of a Jerusalem identity card. This characteristic will keep you off the eligibility list to receive any type of funding. You first need to relocate in order to be considered eligible to receive funding from any source. If you are a Palestinian based in Ramallah or Haifa, funding opportunities

are available. And in West Jerusalem, start-ups have more benefits than you can imagine. But the situation is much different in East Jerusalem, where most funders, for political reasons, do not provide Palestinians with financial support. Even funders from the Arab world, such as Jordan, Egypt, and the United Arab Emirates, will not invest a penny in a start-up in Jerusalem. But the price of relocating is very high and rejected by almost every entrepreneur in East Jerusalem. Renting office space in Jerusalem is very expensive, and funding rotates around zero.

JEST is the first and only incubator and accelerator with co-working space in East Jerusalem and has served approximately 850 entrepreneurs over the past year in an attempt to create more jobs. As most incubators, it holds pitching events and demo days where business ideas are presented and compete for initial support. Incubators then provide access to business networks and exposure to funding opportunities; they focus on capacity building as the cornerstone for start-ups in their early stages of development. In addition to guidance and mentorship in business skills, they generally offer a co-working space for budding entrepreneurs, a shared office space that reduces cost per person and offers an environment in which young entrepreneurs can learn from each other. It encourages peer learning, as entrepreneurs tend to be resilient and adaptable

Entrepreneurs in East Jerusalem strive to help support livelihoods under difficult circumstances.

individuals, self-taught learners who are hungry to learn more. This type of healthy environment promotes success because entrepreneurs can be inspired by like-minded, eager-to-succeed individuals. In this context, the person who does not know how to code learns it from his or her peers, and an individual who discovers a gap in any discipline joins online courses. The mutual support is often simply amazing. The co-working space can be used until a business matures to the scale it needs in order to stand on its own, at which time it can relocate to its own facilities.

Incubators help jump-start a business idea and assist in avoiding pitfalls such as delays in validating the business idea, difficulty in the launching of the minimum viable product (MVP), or running out of the start-up and operations cash. At the same time, entrepreneurs receive amicable exposure to investors.

In a subsequent step, accelerators support businesses that are able to



Damascus Gate, Jerusalem.



The Old City of Jerusalem.

stand on their own but have not reached maturity and need help in the crucial stage when businesses may get stuck in day-to-day operations and fail to plan for sustainability and development. Although some of the services that accelerators offer are similar to the ones offered by incubators, there are differences. Comparing the two shows that they serve businesses during different stages of their development: Whereas an incubator helps a budding business through childhood, an accelerator offers guidance during its adolescence.ⁱ While the incubator helps the business to stand on its own feet (and such nurturing may take up to a few years), the accelerator helps the business to run. The common element between the two systems is the provision of support towards growth through mentorship and training. An accelerator program generally provides

start-ups with up to three or four months of limited cash investment and offers free essential services that include mentorship support through exposure to prototypes; counseling for the fine-tuning of a business idea, the development of a business plan and long-term strategic planning; and access to financial support; as well as connection to a business network and the expansion of its market. The accelerator program aims to foster rapid growth by helping to find solutions for all organizational, operational, and strategic challenges. It is worth noting that JEST does not take shares or equity in return for any of the services or funding it provides.ⁱⁱ

Even though entrepreneurs tend to undertake a harsh journey, they generally don't give up easily. Start-ups in East Jerusalem are rising and

building their own ecosystem that is geared towards success. They build traction, generate income, compete successfully, and receive worldwide awards and recognition as they compete at events such as the MIT MENA challenge in Cambridge, Massachusetts; the 1776 Venture Capital in Washington DC; and the Mass Challenge in Boston. Furthermore, entrepreneurs from Jerusalem have started to reach out beyond the Holy Land and tend to join international acceleration and mentorship programs. They pitch their ideas and are reaching investors in China, the United States, and Europe; they secure bits and pieces of grants and compete in worldwide technology challenges. East Jerusalem can boast of several stories of self-made success, and some start-ups have become flourishing businesses. Existing companies are responding

by developing the attitude, and even doctrine, that it is necessary to support and complement each other in order to be able to rise and compete worldwide.

Recent success stories have emerged in a wide variety of fields that include, for example, an ongoing process to protect intellectual property rights for an invention to treat cancer using nanoparticles; or My Pink Electronics, a female-led start-up that empowers women entrepreneurs to develop their own marketplaces and start operations from home in order to help them generate income immediately; Ubcard is working on a smart solution using mobile numbers to go green by reducing the printing of business cards in order to save trees; and Cube Company is developing innovative pharmaceutical software solutions, heading towards growth, and generating income. There is the creation of a security intelligence engine, and a not-technology-related start-up delivers whatever you need whenever you need it, alleviating unemployment in Jerusalem and creating jobs on rotating shifts.

These successes are making an impact and changing lives. They are possible to a large extent because the founders strongly believed in success and refused to quit – supported at times by a bit of luck. But confidence and perseverance are only some of the ingredients that go into a successful start-up. The environment plays a significant role in fostering success, and in East Jerusalem the conditions are difficult, for economic as well as political reasons. Within this context, incubators and accelerators can play a crucial role. Whereas business instinct is a special kind of talent that can be taught only partly, the skills and know-how that incubators and accelerators strive to transmit are central for achieving success.

The entrepreneurial ecosystem of East Jerusalem is growing, and more success stories will emerge. But while the city has space for more incubators



and accelerators, it is in dire need of a seed venture capital fund to help build a sustainable ecosystem. Once a start-up has completed the accelerator program and is mature and shows traction (quantitative evidence that the product is in demand), it is generally either able to stand alone or in need of more funds for rapid growth. In the latter case, a venture capital fund (VCF) can help by providing cash in the form of micro-financing. Such small loans form a vital lifeline for those companies that are not interested or able to sell shares in return for financial contributions. Moreover, VCFs can provide exposure to (more) business networks and possess a wealth of knowledge and experience that they can share through further mentorship, now geared mainly towards expansion. Because access to micro-financing options is generally disrupted in East Jerusalem (and Palestine), it is difficult for start-ups to

generate the small-scale funding that is necessary for a new enterprise to grow and succeed.

Tech entrepreneurs in Jerusalem are conquering the challenges they face because they firmly believe in their success. This belief is their life elixir and the first step towards economic independence and prosperity. It helps them adapt to a difficult, challenging environment and makes them work extremely hard. Moreover, by succeeding in their start-ups, Palestinian entrepreneurs make a positive contribution to independence and economic sustainability. I always consider the entrepreneurs in Jerusalem and Palestine to be united and compare them to the gladiators of the movie *300*.

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ⁱ Fernando Sepulveda, <http://www.inc.com/fernando-sepulveda/the-difference-between-a-business-accelerator-and-a-business-incubator.html>.

ⁱⁱ Incubators generally do not provide funds but help with access to bank loans, whereas accelerators offer financial support for a limited time. Some provide grants (free money), others give support either in form of debt or by taking shares or equity in return.