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# Incubator Networks: MENA Regional Perspectives

**2nd Global Forum on Business Incubation  
Hyderabad  
November 6-10, 2006**



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Summary of the outcome of the workshop titled “**Promoting Innovation and Entrepreneurship in Middle East & North Africa: Strategies and Partnerships**” which was held at Casablanca Technopark and sponsored by infoDev.

Full infoDev report can be found at:

[www.infodev.org](http://www.infodev.org)



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The workshop was conceived to explore the challenges faced by innovative entrepreneurs in the Middle East and North Africa (MENA) region. To this end the workshop brought together more than 100 representatives of the private and public sector and of the donor community. Participants discussed the opportunities and challenges for promoting innovation and entrepreneurship in the MENA region and shared experiences on how to overcome some of the fundamental constraints faced by entrepreneurs in the region.



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# Track 1: Innovation and Entrepreneurship in MENA: Challenges and Strategies

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# Scaling-Up of SME's - Regional Perspectives

## Scaling up:

- The issue of scaling up is directly tied to increasing employment in the region, which in turn requires the emergence of companies capable of competing not only at the national level but also in the broader regional and world arena. While providing for a reasonable return on investment fro investors;
- Scaling up must be accompanied by an adequate strengthening of operational and managerial capabilities.



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- R&D is required for continual growth in the ICT, in turn, this raises the issue of IPR protection. In the case of open access technologies, the challenge appears to be content development, an activity that remains relatively undeveloped in MENA countries;
- large corporations can play a significant role in supporting the emergence and growth of SME's. This can be achieved by partnering with local firms, outsourcing, etc...



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## Financing of SME's - Existing Gaps and Available Instruments

- There seems to be a significant gap, in investment projects in the US\$ 100,000 – 2,000,000 range;
- The presence of seed capital financing facilities, specifically targeted at newly established ICT firms, is still limited in the MENA region;
- The involvement of “standard” venture capital funds in early stage investments is hindered by structural factors. The presence of sizeable “transactions costs”.



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- despite the above limitations and constraints, the interest of equity investors in the ICT industry in the MENA region remains significant, investor interest is also fueled by the presence of a pool of talents originating from the region but with experience in Silicon Valley and other ICT high growth areas, who can help in linking the MENA's ICT sector with key players.
- Suggestions were made that donor supported schemes could relieve part of the transaction costs that are incurred by VC's



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## Status of Development of infoDev Supported projects

The presentations in this session highlighted the diversity of conditions in which MENA business incubators operate, which in turn leads to the adoption of varying operating modalities. The discussions focused on the perceived lack of a “common minimum denominator” for business incubation activities, which may hamper the transmission of experience and the adaptation of lessons learned. However, it was generally recognized that, while the quest for a generally applicable model of business incubation is understandable, it is unrealistic to expect such a model to emerge under current conditions.



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## TRACK #2: INNOVATION AND ENTREPRENEURSHIP IN MENA: THE ROLE OF THE PUBLIC SECTOR

This track focused on policy initiatives that governments have introduced or can introduce to enhance innovation, entrepreneurship and SME development. Particular attention was given to initiatives that improve:

- marketing and business development services;
- the regulatory and legal environment, including the key issues of IPR and of access to public procurement;
- ICT infrastructure and access to services.



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# Policy Framework for Innovation and Entrepreneurship Support

**key aspects of public policy in MENA countries:**

- **Liberalization and infrastructure development are necessary for the development of the ICT industry;**
- **Progress in fundamentals requires proactive measures on the demand side, promoting wider use of ICT by households and enterprises;**
- **Further impetus will be derived through E-government initiatives adopted in the various countries;**
- **For further progress, better coordination among various public policy entities needs to be developed.**



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# Institutional Partnerships for Innovation

The themes discussed and the findings can be summarized as follows:

- there is agreement regarding the role cultural factors play in fostering or hampering entrepreneurship and innovation. i.e. the prevailing culture is not in favor of risk taking and profit seeking behaviors, education has a major role to play in this regard.
- incubation schemes risk being a futile exercise if suitable market conditions are not present.



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## Track 3: INNOVATION AND ENTREPRENEURSHIP IN MENA: STRATEGIES AND PARTNERSHIPS

**This track added a strategic perspective on the inter-institutional partnerships required to address the constraints to innovation and entrepreneurship in MENA. The track included one session devoted to the illustration of donors' attitudes and concrete measures in support of ICT and incubation.**



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# Policy Framework for Innovation & Entrepreneurship Support in MENA - a Donor's Perspective

- The session focused on donors' activities to support innovation, incubation and entrepreneurship in the MENA region. This involved a review of some interventions targeted at the ICT sector as well as a review of programs aimed at promoting a more favorable institutional and policy environment.
- The presentations largely echoed some of the crucial issues that emerged during previous sessions, clearly indicating a high degree of convergence. In particular, technical assistance for the creation of efficient institutions and strengthening legal systems



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# Professional Development for Business Incubators and ICT Enabled SME's

Three main areas were addressed:

- Incubation management and tenant company development;
- Management of networks of investors and tenant companies;
- Monitoring, evaluation and impact assessment.



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# Incubation Management: Sustainability Plans, and Monitoring Evaluation and Impact Assessment Instruments

In order to properly evaluate Business Incubator operations a four level evaluation process was presented:

1. Evaluation of incubatees and their progress;
2. evaluation of services provided and incubatees' satisfaction;
3. evaluation of incubator manager/management system;
4. Profitability.



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# Network Development & Network Management

A model for the establishment of a MENA network of business incubators, was presented by Dr. Khoury which offered a general reference framework for the proposed network (mission, vision, stakeholders, membership, etc.) and formulated a series of proposals for the creation of the MENA INC network. Useful indications about the structure and functioning of the proposed network were also derived from the experience of the Medinnov Network presented by Mr. Rey, as well as from the experience of other session participants.



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The ensuing discussion focused on the key conditions for the establishment and operations of an effective MENA INC network, including:

- the need to agree on a common incubation process classification;
- the establishment of a number of “communities of practice” within the network;
- the compilation of public information, data and studies of relevance to the incubation process;
- the delineation of the MENA INC portal salient features, and the identification of financial sources for its creation;
- the definition of the governance structure.



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**Thank You**

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