

Promoting Entrepreneurship in the West Bank by Donald L. Pressley and Cheryl S. Steele

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How a conference of multiple stakeholders is bringing financial investment to a region marked by conflict.

by Donald L. Pressley and Cheryl S. Steele

Since 2005, the deadly conflict between Israel and the Palestinian territories has intensified. There have been attacks in the Gaza Strip, shake-ups in the Israeli government, and continuing hostilities between Fatah and Hamas in the West Bank. At times, these tensions, along with those in Lebanon, have threatened to tear the region apart. Even in moments of relative peace, the perception persists that nothing productive can ever be accomplished.

And yet, in May 2008, we were front-row spectators at a very hopeful event in the city of Bethlehem in the West Bank: the first-ever Palestine Investment Conference. The conference brought together a wide array of stakeholders, including Palestinian entrepreneurs; potential investors from the Middle East, Europe, and the United States; and political leaders such as then U.S. Deputy Secretary of the Treasury Robert Kimmitt, French Foreign Minister Bernard Kouchner, and former U.K. Prime Minister Tony Blair (in his capacity as envoy of the Quartet on the Middle East, a

peace process mediation council established by the United Nations, the U.S., Russia, and the European Union). Ostensibly a conference of investors, it was also a demonstration of the lasting benefits that a shared leadership approach might generate, even in the most strife-ridden regions.

On the first day, an observer strolling around Bethlehem's new Convention Center (the building is still under construction, so registration took place in tents outside the front door) might have concluded that this was nothing more than a typical investors' conference, rife with financiers and people seeking capital. And to many, the conference must have seemed quixotic or organized just for show.

But from our perspective, it was a major achievement just to bring the event together. The organizers overcame an astounding number of real and potential roadblocks and launched a series of conversations among people who needed to meet one another, but until then could not have done so. And the conference appears to have worked. It has generated a variety of investments in relatively robust enterprises. These



include real estate projects such as Rawabi, a planned community of 5,000 homes near Ramallah; agricultural businesses such as the Sinokrot Global Group, which seeks to expand the export of herbs to U.S. markets; and pharmaceutical manufacturers such as Dar Al-Shifa (also known as Pharmicare), which exports pain relief medicine to the German market.

For us, the most important aspect of the conference was its underlying idea: By improving the economic life of a region in turmoil, leaders might achieve progress toward peace. We believe this principle holds true, not just for the Palestinians but in any troubled area — and not as a replacement for a sound political process, but as a necessary complement. A well-managed financial investment initiative can translate into jobs and contribute significantly to stability for the people who live there.

Design for Shared Leadership

We joined as organizers and facilitators of the conference in December 2007, when it was still in its planning stages. Our firm, Booz Allen Hamilton (which split from Booz & Company, publisher of *strategy+business*, in 2008), consults largely to the U.S. federal government, and the two of us consult with the U.S. Department of State, including the U.S. Agency for International Development (USAID). USAID is the primary agency that oversees American nonmilitary foreign aid, usually aimed at supporting economic growth abroad.

The idea for the conference had emerged at the Annapolis peace talks between the Israelis and Palestinians in November 2007. As part of its support for progress toward a

two-state solution, the U.S. government committed to provide loan guarantees and other investment support for businesses in the West Bank. But Salam Fayyad, then the prime minister of the Palestinian Authority (he stepped down in March 2009), knew that a critical component was missing: substantial private investment. Fayyad, who is also an economist, was the most visible moderate Palestinian politician on this issue. Breaking from the prevailing wisdom, he believed that private investors could once again be persuaded to put their money into the West Bank.

Fayyad recalled the many investors who had first seen opportunities for growth in the Palestinian territories in the 1990s; they had built greenhouses for the cultivation of flowers, engaged in residential construction, and invested in the pharmaceutical industry. Many had left when peace hopes faded, but he believed they could be convinced to return. In addition, there were many would-be entrepreneurs within Palestine and the broader Middle East. If they had an opportunity to start their own enterprises or grow their businesses, Fayyad said, they could flourish, even in an area rife with conflict.

Just after Annapolis, at the request of the U.S. Department of State, the U.S.–Palestinian Partnership was founded (with a direct mandate from then President George W. Bush) to promote job creation in the region, and to prepare Palestinian youth for the responsibilities of citizenship and good governance. This group, which has remained active in the Obama administration, is led by private-sector executives who believe that their business acumen and

Donald L. Pressley

(pressley_don@bah.com) is a vice president with Booz Allen Hamilton in McLean, Va. He leads the global development team and is responsible for all international development activities. Previously he was an assistant administrator at the United States Agency for International Development and a career senior U.S. Foreign Service officer, serving in Europe, Asia, and the Middle East.

Cheryl S. Steele

(steele_cheryl@bah.com) is an associate with Booz Allen Hamilton in McLean, Va. She supports the firm's work in the Middle East and is a leader of its business development efforts for the U.S. Department of State. Formerly a career U.S. Foreign Service officer, she served in the Middle East and domestically in the Bureau of Near Eastern Affairs.

Also contributing to this article were David Cowles and Rosemary Bchara of Booz Allen Hamilton, as well as consulting editor Lawrence Frascella.

commitment to creative and collaborative partnership can facilitate progress toward peace. The partnership has three central pillars of activity: opportunities for Palestinian youth, support for the Palestinian economy through identification of quick-impact opportunities, and international investment. When Fayyad reached out to the partnership with the idea of an investment conference in the West Bank, it was quick to sign on.

The chairman of the partnership is Walter Isaacson, CEO of the Aspen Institute, former top executive at *Time* magazine and CNN, and author (his biography *Einstein: His Life and Universe* was published by Simon & Schuster in 2007). He knew us, in part, through the Aspen Institute's annual Ideas Festival, of which Booz Allen is a sponsor, and he had written the foreword to a book called *Megacommunities* (Palgrave, 2008). Written by three Booz Allen partners — Mark Gerencser, Reginald Van Lee, and Christopher Kelly — along with Booz & Company Partner Fernando Napolitano, *Megacommunities* presented a conceptual approach to solving complex problems that Isaacson thought might work well in Palestine.

A megacommunity is a deliberate design for shared leadership. Senior people in government, business, and not-for-profit organizations come together to cooperate by seeking out an overlapping set of vital interests, usually in the context of solving a mutual problem. Isaacson asked Booz Allen to help facilitate the Bethlehem conference, bringing members of all three sectors into the same room. At the time, the U.S. was in the middle of its presidential campaign season, and Israel also was heading into

national elections. No matter who won either election, the current administrations were on their way out, and the American–Israeli–Palestinian relationship would likely change. All this presented a great chance to test a new approach to sustainable entrepreneurship among the Palestinians.

Gathering a Megacommunity

When we joined the U.S.–Palestinian Partnership, the group was reaching out to corporate America for participation. We quickly realized this would be no easy task. “It was hard getting American companies,” Isaacson later remarked. “It was not a top priority for them; it was difficult logistically, the lead time was very short, and they [would be] getting involved in a political controversy where there wasn't a big economic upside.” But Isaacson and the other partnership leaders knew that if corporate America stayed home, it would send a bad signal. “I think it would have showed that America didn't care

But Fayyad wanted more than U.S. corporations involved. In our first meeting, he was asked which investors and businesspeople he wanted to target: those from the United States and Europe, from Gulf states such as Qatar and the United Arab Emirates, from Israel, or from the Palestinian diaspora. “All of the above,” he replied. He and the Palestinian leadership also insisted that the conference include entrepreneurs from Gaza and East Jerusalem, as well as the West Bank. At that point, we knew things were about to get even more interesting — and more complex.

As it turned out, Fayyad's instincts were correct. Many Arab investors from throughout the Middle East were spurred by their emotional ties to the Palestinian people, and the inclusion of Gaza strengthened that connection. From the Palestinian diaspora alone, hundreds of people responded to Fayyad's call for engagement. There were investors from Saudi Arabia who had left the West Bank in

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much about the development of the Palestinian people,” added Isaacson. “We had to do a sales job.” Only three months before the conference began, it attracted the support of such companies as Cisco, Coca-Cola, Intel, and Marriott. They saw the opportunities for product branding in the West Bank, and for fulfilling their goals for corporate social responsibility.

the late 1960s, young entrepreneurs from Jordan who had never seen the villages that their parents had spoken of, and hundreds of successful businesspeople eager to make their mark. The Gazans who attended saw firsthand the community of investors ready to return to Gaza whenever the political and security situation might allow.

But to get to the conference,

the Arab nationals, the people from Gaza, and the members of the Palestinian diaspora community all needed visas or permits issued by Israel, which controls security for the West Bank. As Ziad Asali, a cochair of the U.S.–Palestinian Partnership, told us, “It all depends on

continued to worry that, despite Israel’s agreement on visas, participants would be treated poorly. They might be forced to undergo special searches, be detained at Ben-Gurion Airport for hours, and perhaps be turned away. But that did not happen. The Israelis were unfailingly

“An investment conference is a strange thing in the West Bank,” Abu-Libdeh told us. “We have political gatherings, but people don’t understand what an investment conference is. They don’t understand the difference.”

This unfamiliarity translated into a real possibility of street protests in Bethlehem that could disrupt the conference and make already-uncertain investors even more skittish. The Palestinian leadership reached out to the Bethlehem Chamber of Commerce and to the local mayor, making Bethlehem part of the process. Conference staff members met regularly with community groups during the five weeks leading up to the event. They walked these groups through the plans and explained the underlying purpose of the conference, always stressing that it was not political in nature. They set up an exhibit hall outside the conference so that local shop owners might display their wares. The conference itself became an opportunity to display the pride of Bethlehem. And when the time came, the civil reception was peaceful and enthusiastic.

In a typical megacomunity project, when business, government, and civil society are engaged, all the elements are in place. But nothing in this part of the Middle East is ever so simple. A great threat remained from one group that did not fit neatly into any megacomunity category: Hamas, the Palestinian faction that President Mahmoud Abbas had ousted from his government in June 2007 following violent fighting and that presently controls Gaza. Hamas had in a sense operated in all three roles: It had grown out of civil society, it had run successful political cam-

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the Israelis. If they want it to happen, it will. If they don’t want it to happen, it won’t.”

It wasn’t hard to predict the Israeli officials’ first reaction to such a request: How could they be sure this influx of Palestinians would not contain terrorists capable of striking the West Bank or Israel? And why should Israel take such a chance for a conference promoting business investment, with no direct political connection?

The group addressed these concerns by inviting the Israelis to be part of the megacomunity. Palestinian and Israeli officials met early in the process. Once again, the economic argument was convincing. Key Israeli leaders saw that it was in their vital interest to support this event, to aid in the development of entrepreneurs and a Palestinian middle class. And even though the visa approval process stalled at times, and took until the very last minute to be completed, the Israeli government followed through.

This spirit of cooperation extended to the attitudes of the individual Israelis who worked with us. For example, the Palestinians

polite, although there was always the threat of tensions flaring. At one point, several Israeli airport security people took a group of us aside and said they wanted to question us. Some members of the Palestinian diaspora began to protest. But it turned out that the Israelis simply wanted to ensure that when we exited the country, we were given the proper attention and access.

The civil society within Palestinian communities also had to be brought into the megacomunity fold. As plans for the conference became public, many residents of the West Bank, particularly those in Bethlehem, expressed alarm. As we learned from Hasan Abu-Libdeh, the conference’s executive director, many were concerned that such a major event would lead to stepped-up Israeli security measures that would make getting around in the West Bank even more difficult than usual. Some questioned why Israeli businesspeople were invited; others were suspicious of the United States’ motives; and still others worried that investors might promote projects that would exploit, not help, Palestinian workers.

paigns, and it had even maintained a businesslike role in some of its community enterprises. Yet as a designated terrorist organization, it had also engendered violence. Hamas leaders certainly knew that if they staged a terrorist attack in or near Bethlehem and disrupted the conference — a real fear of the organizers — it would be a serious blow to their opponents in the Fatah-led government of Abbas and Fayyad.

Hamas had an additional motive for attack: The conference involved a degree of normalization of relations with Israel, its bitter

mostly symbolic investments. We heard Abu-Libdeh tell potential investors, “If you invest your penny in Palestine, you will be able to make some money. Maybe not as much as somewhere else, but you will be able to help a whole nation to survive.” We were delighted and astounded to learn that nearly US\$1.5 billion in venture capital was pledged.

A collage of sights and sounds from the Bethlehem conference has stayed with us. On the first day, a surge of participants exceeded the capacity of the ballroom, almost

The pledged investments included \$350 million for the Rawabi housing development; a \$200 million partnership between a Saudi company and the Palestine Investment Fund to build commercial space near Ramallah; and a \$480,000 grant from the U.S. Trade and Development Agency to promote the expansion of wireless Internet connectivity. Each opportunity served to underscore the theme of the Bethlehem conference: “You can do business in Palestine.”

In the months following the Bethlehem event, all parties continued to move forward on the path of private sector-led growth. A series of follow-up conferences took place in London, Nablus, and Washington, D.C. — all of which further defined and articulated possible economic achievements in the West Bank.

The funded projects moved forward as well. For example, the Bayti Real Estate Investment Company secured the equity finance for the Rawabi project in full, and in January 2009, the master plan was approved by the Palestinian Authority. Rawabi will not only be the first fully planned community in Palestine, but it will also fill an urgent need for affordable residential housing — allowing young couples to move out of their family homes and establish residences of their own.

Since presenting the concept of a call center in East Jerusalem, Sinokrot Global Group has attracted several U.S. investors and partners. A pilot project with the Bank of Palestine PLC was scheduled to begin in December 2008. The call center will create up to 500 jobs, expanding the number of professional opportunities available to Palestinian residents of East Jerusalem.

At a cultural evening in Manger Square, the entire city turned out to watch and the Gaza delegation danced until dawn.

enemy. But in the end, no violent attack took place. We cannot claim to know exactly why, but we can draw some inferences from the fact that a delegation from Gaza participated. The conference also included a session on opportunities in Gaza, even though no one could go in or out of the Gaza territory at the time. Perhaps the Palestinians had made it clear that opportunities were being presented from which everyone might gain. Or even more powerfully, perhaps they made it clear that everyone, if they wanted, could be part of the story.

You Can Do Business Here

In May 2008, the conference occurred without a hitch. Though only a few hundred participants were expected, more than 1,500 showed up in Bethlehem. Organizers had set their sights on modest,

forcing Palestinian President Abbas to stand. Participants walked around in a daze, many with tears in their eyes, marveling that they were “back in Palestine.” On the second day, we often saw discussions of a deal end with an embrace. At a cultural evening under the stars in Manger Square, the entire city turned out to watch the festivities and the Gaza delegation danced until dawn. And excursion trips to Hebron, Jerusalem, and Nablus ensured that participants visited more of Palestine than just Bethlehem, and saw firsthand the scope of both opportunity and need. And yet for all the emotion surrounding the conference, it was very much about business: about meaningful opportunities, the competitiveness and creativity of Palestinian entrepreneurs, and the enthusiasm and capabilities of a young workforce.

Another organization featured at Bethlehem, the Ramallah Friends School, has begun making plans to develop commercial real estate property on the school's campus; this will help secure the school's financial future and subsidize education for some of the community's poorest members.

We have come to see this conference as a model for the kinds of measures that are needed to overcome political impasses. At the conference, all the possible stakeholders were explicitly invited into a common storyline. There was too much at stake for them to walk away. Had it been a purely political session, such as peace talks, or a purely business context, such as a deal, it would have been easier to let the opportunities evaporate. But at this conference, as Fayyad said during his opening remarks, "This is different; this is the start of a new way." The enthusiasm of jaded investors, the hope in the eyes of the Palestinian university students who served as event volunteers, and the bustling of Palestinian entrepreneurs who rushed from one session to another were tangible.

One does not want to come across as unrealistic. This part of the world has little patience for idealistic hopes. The conference may turn out to have been one of many small steps from which the participants ultimately will turn back. But someday, one of those small steps — you never know which in advance — will turn out to be a giant leap. +

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