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“Promotion of employment opportunities through exchange of good practices and active participation”

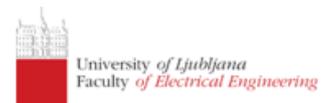
PEER-TO-PEER COOPERATION WITH IRAQI GOVERNORATE – BASRA

Guidelines on Business Incubator Establishment

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Contents

| | |
|--|---|
| 1. Introduction | 4 |
| 2. Business incubator – definition and process | 4 |
| 3. Preconditions | 4 |
| 4. Establishment steps | 5 |
| 4.1 Vision and goals | 5 |
| 4.2 Legal status | 5 |
| 4.3 Location..... | 5 |
| 4.4 Partnerships | 5 |
| 4.5 Target beneficiaries and end users | 6 |
| 4.6 Building the community..... | 7 |
| 4.7 Services offered | 7 |
| 4.8 Financing | 7 |
| 5. Management of business incubator | 8 |
| 6. Gender equality | 8 |
| 7. Checklist/Template | 9 |

1. Introduction

These Guidelines on Business Incubator Establishment were produced as part of the project “Promotion of employment opportunities through exchange of good practices and active participation” between Slovenia and Iraqi governorate Basra. The guidelines are specifically adapted to the specifics of this project and considering both the needs expressed by Basra team in the first six months of the project as well as all the information received from providers of good practices in Slovenia – namely the municipalities of Škofja Loka and Kočevje.

The guidelines include the basic steps that should be taken when establishing a business incubator and should be used as a tool by both Basra team on the project as well as the management team that will be hired to lead the incubator. However, as the business incubator in Basra will be established, issues that are not covered in these guidelines might arise. However, the project predicts that Slovenian team will act as on-demand support when needed and will be available to help in their capacity.

2. Business incubator – definition and process

Business incubator is an institution that fosters early development of new companies and businesses. In our case, it is a place where entrepreneurial minds can connect, get support, and have a space to develop with the goal of becoming independent and provide employment opportunities in Basra Governorate.

The process of incubation refers to the time entrepreneur will actively spend in the business incubator, on the way to mature into fully functional and independent company. Generally, specific training, access to information and finance, direct mentoring and coaching as well as option to use physical space together with all its technical support is offered by the business incubator. In this stage, the newly established company is testing the market in a safe, supportive space. This stage usually takes a few years in which it will be possible to see if the venture has the potential to reach maturity and become independent company, able to offer employment opportunities.

3. Preconditions

A few preconditions must be met before taking the establishment steps.

There needs to be a **clear need** for such an institution expressed in the local environment – either from the side of the potential users of a business incubator, the business community, or the local government.

Opportunity to **cover gaps in supply of goods and services** needs to exist, as well as **stakeholders**, that could form a partnership in support of the business incubator. These could be universities and other educational institutions, businesses that operate in the local environment, local government etc.

4. Establishment steps

4.1 Vision and goals

Defining the vision and goals we want to achieve will guide all the decisions that will be made in the future. **Vision** is an **ideal picture** of how this business incubator would look like in 5-10 years, not thinking of any limitations.

The vision then defines the **goals** – these could follow the **S.M.A.R.T. method** of goal setting in order to maximize the possibility of successfully reaching them. S.M.A.R.T. stands for S – specific, M – measurable, A – achievable, R – realistic and T – time bound.

4.2 Legal status

Based on local legislation, the decision needs to be made on what **legal form** the business incubator will have. Is it going to be a non-profit NGO, a civil society organisation, a limited liability company, a public institution? This decision has consequences regarding access to finances, ability to employ people, issue invoices – depending on the local, regional and national legislation.

4.3 Location

As we learned from good practice examples from Slovenia, the business incubator has to be **geographically well located**. It should be easy for people to access it. This could result in a central location, of the city or in an existing facility that is (content-wise) related to the business incubator.

4.4 Partnerships

Partnerships with relevant stakeholders are the **key to success** of a business incubator and a good way to **establish both legitimacy and respect** for the business incubator, as well as **build trust** with local community, especially with youth. The more people, institutions, stakeholders support it, the higher the chance for success. **Governorate** plays an important role of **connecting the stakeholders into a network of advocates** for the business incubator.

Partnership agreements are a good way to formally establish a connection. The agreement should clearly define the partnership – be it financial support, support with knowledge and staff, support in kind (a partnership between Businessman Union and the incubator already exists since the latter will use the union's physical space). The agreement can include number of hours the partner will donate to the incubator, the amount of money in certain timeframe, the people who will be involved etc. These agreements also support the sustainability of Business Incubator operation in the future.

We recommend that Basra business incubator enters a partnership with following institutions:

❖ **University of Basra** (and other universities in Basra Governorate)

Partnerships with universities are mutually beneficial relationships. Business incubator can have access to a group of experts (professors, teachers) who can act as mentors to users of incubators, while university can encourage entrepreneurial students to join incubator and further develop their ideas there. It is important to clearly define how the two partners will collaborate (who are the people from university that will offer their knowledge, its good to have formal support from university leadership).

❖ **VTCs**

Having knowledge about needs of both the market and young people, they can offer advice in how to best develop incubation programs. Incubator can be the next step for VTC students with entrepreneurial mindset and ideas that they want to develop.

❖ **Other educational institutions**

Vocational Training centres, elementary, middle, and high school, as well as trade school and other institutions that deal with education should be in partnership with the incubator.

Pupils and students can attend events at the business incubator, while the incubator again, has access to a group of experts.

❖ **Local companies**

Companies that operate in Basra and/or are important employers in the area are vital for success of the Business Incubator. Business incubator can act as a common meeting point for start-ups and established companies – no matter the sector. Collaboration is a great tool to build community.

❖ **International companies, based and/or present in Basra**

Specifics of Basra indicate that many big international companies operate there. These can support the incubator with financial support/donations, optimize their own supply chains using knowledge and skills of incubator start-ups and other users. This way, they can also offer some support to the community where they operate. Additionally, any local companies that act as suppliers of products and/or services for international companies are of great importance. These are the true partners of Basra Business Incubator that should be included into its operations at all possible levels.

❖ **Local NGOs and CSOs**

NGOs and CSOs that are founded and operated by locals are a great way to empower community building, trust, and collaboration. They have a lot of direct knowledge about the needs present in the local community, while incubator can offer them space for events, share information and knowledge etc.

❖ **International NGOs**

With access to international financial support and experts in field of development, international NGOs are great partners. Including them into the network of supporters early in development stages plants a seed for possible future financial and expert support.

❖ **Local / city government**

Different levels of government can benefit from a place like business incubator, so it is important to have their support.

4.5 Target beneficiaries and end users

Defining the person that you want in the business incubator, the end user, will help you when the time comes to review many applications with option to choose only a few. Think of the **values and qualities** you want in the people using the incubator.

Within our project the end users will be firstly defined through implementation of the Financial Participatory Approach, when the titles of the competitions will be defined that will invite a specific group of young people to participate. Those young people will belong to the Basra Business Incubator target group members and future users of the Business Incubator services.

In order to successfully support the young people on their way to entrepreneurship it is highly advisable to select a specific group of young people at the beginning. It is important that the services that BI offers correspond to the specific needs of selected youth. (e.g. business plan development, online marketing courses, legal consulting etc.)

When selecting end users of the business incubator, gender equality needs to be considered.

Making sure female entrepreneurs, those that operate their businesses from home, mothers and

young unemployed women with great business ideas have a safe space where they can develop their ideas, start their businesses and eventually, provide employment to others, is elemental to the sustainability and long-term success.

4.6 Building the community

The space can also be offered as a **coworking space** as well as having start-ups in the incubation process – this will help build community of likeminded people. **Who else can use the space and what for?** As mentioned before, building the community will greatly improve the chances for success of the incubator. Many incubators started with lots of **free events** that encouraged first contact of local community with the incubator. Community is what kept people interested, since the incubator became a place where lots of interesting companies coexist, help each other, where service providers can be found.

4.7 Services offered

What will the business incubator offer to the users? Options include, but are not limited to the following:

- ❖ Coworking space with reliable electricity, internet, basic infrastructure (office equipment etc),
- ❖ Incubation programs,
- ❖ Access to information about funding,
- ❖ Legal and administrative help,
- ❖ Information and help on how to open a legitimate business, deal with taxes etc
- ❖ Events (what type, for whom)
- ❖ Summer programs for both students and pupils from local schools (making sure the space is used as much as possible)
- ❖ Online courses, events, and incubation programs (making sure the incubator can reach wide audiences that can not physically be present on the location)

Gender equality should be part of the discussion when deciding which services the business incubator will offer. Female entrepreneurs often face different challenges, so making the services offered accessible to them is very important. This could mean offering some information, courses, and programs online, taking into account at what time events are organised etc. Business incubator can only be successful if it accommodates all potential users.

4.8 Financing

Long-term financing is usually one of the biggest challenges in achieving sustainability and financial independence. **Financing** of the incubator should preferably **as diverse as possible**. **Financial plan** will help guide the management team in achieving this goal.

Possible sources of financing:

- ❖ **Contributions from the users**
Users of coworking space as well as start-ups in the incubation process can pay a subsidised daily / weekly / monthly fee.
- ❖ **Local / city / regional government**
Different levels of government can support the incubator with financing or in kind (office equipment, additional space etc). Since many different levels of government can benefit from a place like business incubator it is important, they support it in best way they can.
- ❖ **Donations (local and international companies)**

Companies, especially big international corporations that operate in Basra can support the incubator with financial donations. Agreeing to a long-term support can help secure the funds needed to pay management staff and cover overhead costs.

❖ **National and international calls for tender**

Calls for tender, especially from international development organisations can be the main source of financing, however, these usually require a clear vision and proof that the project either has great potential or has already showed positive results.

No matter the source of financing, **developing a sustainable financial plan** that will be a guiding light for the management team when they will be raising funds for the incubator **is crucial**. The plan should include ways the overhead costs will be covered, predicted contributions from the users, possible financing from government – both local, city, regional as well as outside financing via international NGOs, developmental programs such as UNDP and others.

5. Management of business incubator

Daily operations are managed by the **business incubator management team** that is employed by the incubator and that makes sure everything is running smoothly. They must be good managers, have established networks and are willing to build new connections with relevant stakeholders.

Business incubator can benefit from the **support network** and people that have **extensive business experience and/or are experts in certain field**. These can be formally connected as outside group of experts. Later on, the incubator can also establish other bodies that help the management team with advice and expertise, like board of advisers / directors.

Management team is the public “face” of the business incubator, so when choosing the team, make sure all genders are represented. This will ensure that a wide variety of profiles / young entrepreneurs feel welcome in this space and have access and benefits from it.

6. Gender equality

Making sure that gender does not play a role in the access to the business incubator, the services it offers, or its leadership positions, will have significant positive influence in the long-term success of both the users and the incubator itself.

Business incubator must be striving for balance among end users, in the management team and offering services that are needed by a variety of profiles. Diversity of profiles should be favoured when building partnerships and including mentors and experts into the everyday operations of the business incubator. This will contribute to the positive and supportive environment for future business owners who will, hopefully, be able to offer job positions to young unemployed people of Basra.

Likewise, all offered services to the end-users should reflect the needs of all genders and marginalised groups (e.g. people with disabilities should have easy access to BI premises).

7. Checklist/Template

- ❖ **VISION** (please write the vision of Basra Business Incubator in one sentence)
- ❖ **S.M.A.R.T. GOALS**
- ❖ **LEGAL STATUS** (please add)
- ❖ **LOCATION** – Basra Businessmen Union (please add full info)
- ❖ **PARTNERSHIPS:** (please name the individual organizations and mark with which ones an agreement of collaboration has/will be signed)
 - UNIVERSITY (e.g. University of Basra)
 - VTCs (please name the specific organizations)
 - LOCAL COMPANIES (please name the specific organizations)
 - INTERNATIONAL COMPANIES (please name the specific organizations)
 - LOCAL / INTERNATIONAL NGOs (please name the specific organizations)
 - CSOs (please name the specific organizations)
 - LOCAL GOVERNMENT (please name the specific organizations, departments, persons)
 - OTHER
- ❖ **DEFINE USER/TARGET BENEFICIARIES** (please specify the target group in detail; which young people, what education, which branches of business, etc.)
- ❖ **BUILD COMMUNITY** (add min. 3 ways you will do that)
- ❖ **SERVICES OFFERED** (please define the services according to the needs of your target group)
- ❖ **FINANCIAL PLAN** (please establish a financial plan for the first 5 years of Basra Business Incubator operation. Please include all financial resources that BBI will benefit from)
- ❖ **MANAGEMENT** (Please name the management team members and define outside group of supporters/experts)

These guidelines are based on the following list of sources:

European Commission. (2010), "*The Smart Guide to Innovation-Based Incubators (IBI)*". Accessible at: https://ec.europa.eu/regional_policy/sources/docoffic/2007/working/innovation_incubator.pdf

Edward M. Zablocki. (2010), "*Formation of a Business Incubator*". Accessible at: <http://www.iphandbook.org/handbook/chPDFs/ch13/ipHandbook-Ch%2013%2006%20Zablocki%20Business%20Incubators.pdf>

Hassan, N.A. (2020), "*University business incubators as a tool for accelerating entrepreneurship: theoretical perspective*", Review of Economics and Political Science. Accessible at: <https://www.emerald.com/insight/content/doi/10.1108/REPS-10-2019-0142/full/pdf?title=university-business-incubators-as-a-tool-for-accelerating-entrepreneurship-theoretical-perspective>

Corporate Finance Institute. (2021), "*Business Incubator*". Accessible at: <https://corporatefinanceinstitute.com/resources/knowledge/other/business-incubator/>

Project presentations on business incubators

Accessible at: <https://p2p-slovenia-basra.com/activities/#incubators>