



ROLE OF INCUBATION CENTRES IN PROMOTING ENTREPRENEURSHIP IN PAKISTAN



WEBINAR

11th AUGUST, 2021

INTRODUCTION TO IQBAL INSTITUTE OF POLICY STUDIES (IIPS)

To develop into a center of excellence for research, policy studies and constructive dialogue with a view to facilitating policy formulation for sustainable national development



Undertake quality research and policy analyses for sustainable national development



Serve as a collaborative platform for dissemination of research, exchange and dialogue



Build capacity and competence to respond to research and policy needs at national level



Develop viable connectivity between academia and industry for applied R&D



Conduct research on emerging technologies for industrial application



Support endeavours for socio-economic development through research and analyses



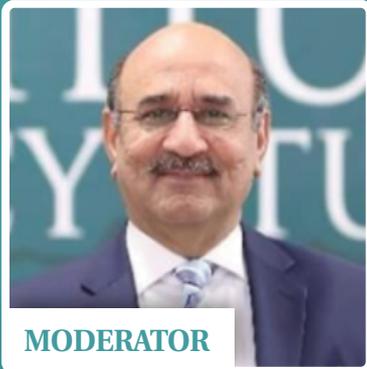
Undertake critical impact studies of policies and recommend solutions

A business incubator is designed to create an environment in which businesses can grow by providing them with the necessary innovation, technology, and finances. Millions of startups have developed into million-dollar companies with the help of incubators. Companies like Uber and Airbnb started out in business incubators. Pakistan has a relatively new startup culture. Despite a lack of financial and technological resources, Pakistani startups have shown remarkable results.

SESSION OBJECTIVES

1. What is the role of academia in promoting entrepreneurship in Pakistan?
2. What is the concept of the National Incubation Centre and its underlying achievements?
3. How to create an entrepreneurial mindset of youth in Pakistan?
4. How has the NIC helped young entrepreneurs in establishing a successful business?

OUR DISTINGUISHED SPEAKERS



**Lt Gen Haroon
Aslam (Retd)**

President IIPS Advisory Board



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Public Policy Expert



Dr Zubair Iqbal Ghouri

Pro Rector NUML



Aiman Khan

Entrepreneur



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ZUBAIR IQBAL GHAURI

Pro Rector NUML

Role of Academia in promoting entrepreneurship in Pakistan

With a population of 220 million, 64 percent of Pakistan's residents are under the age of thirty. There is a huge need for this large population of youth to get trained and enter the job market as skilled professionals or entrepreneurs. One of the biggest problems faced by the youth is the lack of employment opportunities available on the market. In order for Pakistan to sustain the current rate of population growth, 1.5 million jobs need to be created every year for its youth. The current gap in the market cannot be fulfilled if every graduate or student continues to seek jobs instead of creating them. Nevertheless, Pakistan has the tools to help its youth grow and develop an entrepreneurial mindset. Almost 70 percent of Pakistan's youth now has access to broadband and fast internet services. Additionally, Pakistan recorded impressive exports of Information Technology (IT) worth USD 2 billion last year, with growth projected to reach USD 5 billion this year. According to the Pakistan Startup Ecosystem report 2019, there are currently

30 incubators across Pakistan with more than 100 coworking spaces and no more than two dozen formal investment networks. The activity of business incubation requires active participation from the public and private sectors. As an example of a public sector intervention, the Higher Education Commission (HEC) has made a favourable contribution towards the business incubation process by developing a strong and elaborate policy that outlines the standards and activities each business incubation centre must have.

Unfortunately, not all universities have the resources to fulfil the requirements of business incubators. Apart from universities, PITB and Ignite also work towards establishing business incubators. In terms of private sector involvement, Standard Chartered Bank, Jazz, Telenor, Velocity, and several other companies contribute to several different projects.



Even though the progress associated with business incubation centres appears promising, Pakistan still falls short in many areas when compared to its peers. During the past few years, Pakistan has generated about USD 200 million through business incubation centres and established 250 start-ups with varying degrees of success. Pakistan has the second-lowest score in Asia-Pacific and is well behind countries in

the Middle East and North Africa. UAE is ranked 19th, India is ranked 69th, and Nigeria is ranked 100, while Pakistan is ranked 119th. Funding remains a major challenge for business incubators. In 2018, only 9 Pakistani start-ups received venture capital funding, compared to 34 in Nigeria, 38 in the UAE, and 790 in India. In spite of this, the Pakistani youth bears enormous potential, and it also requires appropriate steps to fill in any gaps.

Academia plays an important role here. The incubation centres working with academic institutions have a serious need for capacity building to increase their capacity by 10 to 15 percent. Cohorts are conducted by academic institutions each year; however, due to covid19 restrictions, they have not been conducted in the last two years. As a fundamental requirement for all students, academic institutions need to teach entrepreneurship. There is also a need for technical hubs and infrastructure support in all Pakistani universities. In addition to seed funding, infrastructure, and training, technical assistance must also be provided by universities. This can lead to an environment that is policy-driven and regulated. Additionally, business incubators should have training for their trainers.



An additional challenge faced by business incubators is the disparity in participation between men and women. Based on the last three cohorts conducted at NIC, only 15% of 1000 students were female, whereas the female population in universities is around 54%. For female students to participate more fully, a paradigm shift is needed. It may be possible to solve this challenge by providing more female leadership in universities. The policymaking process should also include more women.

Business incubators can address the challenge of a lack of entrepreneurial and business mindset in three ways. First, enabling policies and facilitating infrastructure is needed. Secondly, students need to be taught the skills and mindset they need to build a business by recognizing the local challenge. Additionally, start-ups need access to funds during their early stages. The Punjab public-private partnership act has not developed more than 30 projects in the last five years. Thus, there is a need for policy structure changes in universities and the HEC. Additionally, universities have underutilized infrastructure that can be used as classrooms for evening programs and training. It is imperative that talent be fostered through interuniversity networks to cultivate the start-up culture. Furthermore, vocational institutes must be revived and connected with an innovation system that offers deeper opportunities to technical students.



PARVEZ ABBASI

Project Director, NIC

National Incubation Center - Concept and Achievement

The National Incubation Centre (NIC) was established five years ago as part of the original ICT and R&D fund, which later became the Ignite fund. Under the organisation, five incubation centres were set up in Karachi, Lahore, Peshawar, Quetta, and Islamabad. Public funds are used to provide infrastructure by the government and private investors invest in start-ups and provide the mentorship required by young entrepreneurs. By integrating modern technology with business methods, the NIC aims to enable the youth of Pakistan to revitalise the country's economy. Models for successful incubation centres are taken from developed countries like the US, Europe, and China. Realising the huge potential a country's youth can offer, China has gone from poverty to prosperity in a relatively short period of 25 years using business incubation centres, innovation, and technology.

The NIC has also received the United Nations IPO award, with being the first incubation centre in Pakistan to do so. In

terms of its capacity, the institute can manage over 250 people in a shared coworking space, which also provides a safe and secure working environment for all genders. A year of free high-speed broadband internet is also included along with infrastructure for startups and professional mentoring services. Keeping in mind international best practices, a customised curriculum has also been developed for training entrepreneurs and providing mentorship at different levels. The facility offers the services of over 100 mentors and professionals who offer their decades of experience to young entrepreneurs. The institute also has more than 60 investors, including angel investors and venture capitalists.

For any government, creating 1.5 million jobs annually is not an easy task. It is impossible for even developed countries to create such a large number of jobs. As a result, the best course of action is to enable the youth to create jobs for themselves and provide employment for others. A report by Ignite indicates that NIC has generated Rs. 2.2 billion in revenue, more than Rs. 8 billion in investments and over 100,000 jobs across the country. Across the globe, the average ratio of male to female founders is 14 percent, whereas the ratio at the NIC at Islamabad is 21 percent. The institute not only sets a benchmark but also exceeds it. Women who want to pursue careers while maintaining a family are provided with a daycare facility.

According to employers, 90 percent of recent graduates are unemployed. A good education in Pakistan is not cheap, and parents must often sell their assets to pay for their children's education. What is the purpose of spending so much money on education if students aren't learning what they need? Thousands of U.S. start-up companies were founded by students between 15 and 20 years ago and are now worth millions of dollars in revenue. Therefore, the challenge of building human capacity must be addressed immediately. Advocacy can play a significant role in the process. With strong ties to the government, including SECP and the State Bank, the NIC excels in executing its duties.

Due to this collaboration, private investments in start-ups have been made easier by declaring start-ups as part of government equity. More than USD 200 million has been invested in Pakistani start-ups in the last 18 months. This is more than the amount invested in Pakistani start-ups over the last 20 years. It demonstrates Pakistan's growth and emphasizes the importance of overseas Pakistanis in the process. Businesses in Pakistan can grow exponentially if they leverage the expertise, knowledge, and power of overseas Pakistanis. Incubation centres can revolutionize the economy of Pakistan by realising the potential of start-ups in the tourism, agriculture, IT, health, and remote learning sectors.





DR KHAQAN NAJEEB

Public Policy Expert

How to create an entrepreneurial mindset in the youth

The challenge of entrepreneurship in Pakistan is to develop a competency-based mindset rather than a need-based one. Global entrepreneurs have built multi-billion dollar businesses using a mindset that Pakistani entrepreneurs need to adopt. Competency and talent are not the same thing. Businesses in Pakistan are often started by people who have exhausted their job search and see it as a necessity or a last resort. This approach is not conducive to achieving higher growth and engagement with the community or business. As a result, an entrepreneur's mindset directly impacts how well they will do in their business ventures. Additionally, the mindset of policymakers and leaders of a country needs to change so that respect is given not only to certain roles in society but also to every individual who wants to earn his or her own income.

In Pakistan, many young entrepreneurs lack the mindset, talent, and start-up ecosystem to develop a successful and thriving business. Pakistan is also still in the early stages of the incubation process. Only five

start-ups survive their first year.

Furthermore, 23 percent of Pakistan's youth want to start a business; however, they are unaware of the processes and lack guidance. In Pakistan, venture capital is only USD 0.1 per capita, whereas, in the United Arab Emirates, it is USD 20. In addition to all these challenges, female participation in business incubators is very low. Nonetheless, the freelancing and ITC sectors of Pakistan have grown, generating more than \$20 billion worth of income in the last fiscal year. Even so, Pakistan has lagged behind most of its regional competitors when considering the size of its population and its subsequent growth over time.



As Pakistan's population grows, 1.5 million jobs are needed each year. A high priority is given to larger corporations and organizations, while there are 5.2 million businesses in the country, 99 percent of which are small and medium enterprises (SMEs). A small business often lacks a track record, collateral or large guarantees to be approved for bank loans. Therefore, the issue of financing is becoming a major concern in the early stages of startups. Additionally, a job in the SME market might be created at a much lower cost than a job in a large scale industry. Hence, the solution to Pakistan's employment crisis, export crisis, and balance of payment crisis lie in the growth and encouragement of SMEs.

ROLE OF INCUBATION CENTRES IN PROMOTING ENTREPRENEURSHIP IN PAKISTAN

Creating a soft institution for policy advocacy is crucial to addressing the challenges of setting up businesses in Pakistan. In this regard, advocacy is of crucial importance. In addition to changing the mindset of the youth, advocacy can also increase government attention to these sensitive issues. It is important to streamline licensing, registration, and permitting processes into transparent, hassle-free, and easy-to-understand processes. Additionally, a regulatory guillotine may enhance the business environment.

Likewise, training, support, and marketing should not be limited to the private sector. Public organizations should contribute to this exercise with government funds to help start-ups cover the costs in the early stages. It is also necessary to restructure Pakistan's equity, debt, and venture capital markets. Finally, it is important to provide a business environment that encourages the use of disruptive technologies. It is not always necessary for business ideas to introduce something new to the market. Technology can be used to make a product or service more efficient and productive, which can then cause the market to be disrupted.





AIMAN KHAN

Entrepreneur

My success story as an entrepreneur through incubation center

By showcasing her success story through the National Incubation Center, Aiman Khan provided insight into her exciting and challenging journey to becoming an entrepreneur and establishing a successful start-up in the healthcare industry of Pakistan. There are numerous challenges facing Pakistan's healthcare industry. Pakistan has the highest breast cancer rate in South Asia; it is one of two countries with the poliovirus; it has the second-highest prevalence of hepatitis, and it ranks fourth in multidrug-resistant diseases. Life expectancy has also decreased from 68 years to 66 years. The use of disruptive technologies by women is also largely discouraged in Pakistan, not to mention doing business. Their participation in an incubation centre is often impeded by social stigmas. Yet despite several setbacks, Aiman Khan joined the National Incubation Centre as a merit applicant.

As a start-up develops its skills and expertise, mentoring plays a vital role. When Ms Aiman faced emotional and professional stress, mentors offered her

hope that she could move forward. The NIC also offers a daycare centre for women with family obligations. The environment provided is secure and safe. Women usually lack the necessary support at this stage in society and adding these amenities to an incubation centre can make all the difference. It is also encouraging for young entrepreneurs to realize that the business belongs to them and that they need to take responsibility for its direction. Individuals often find this a challenging task at first; however, with the assistance of NIC mentors, most young entrepreneurs can develop the ability to make these decisions on their own. Furthermore, infrastructure and service costs are usually very high, and small businesses cannot sustain them for long periods of time. These facilities are provided free of charge for one year by an incubation centre, allowing entrepreneurs to sustain their businesses. Additionally, it increases the chances of success significantly.



KEY TAKEAWAYS

1. Pakistan needs 1.5 million jobs per annum to provide employment for its youth at the current rate of population growth.
2. Almost 70 percent of Pakistan's youth now has access to broadband and fast internet services. Additionally, Pakistan recorded impressive exports of Information Technology (IT) worth USD 2 billion last year, with growth projected to reach USD 5 billion this year.
3. According to the Pakistan Startup Ecosystem report 2019, there are currently 30 incubators across Pakistan with more than 100 coworking spaces and no more than two dozen formal investment networks.
4. The Higher Education Commission (HEC) has made a favourable contribution towards the business incubation process by developing a strong and elaborate policy that outlines the standards and activities each business incubation centre must have.
5. Pakistan has generated about USD 200 million through business incubation centres and established 250 start-ups with varying degrees of success.
6. Pakistan has the second-lowest score in Asia-Pacific and is well behind countries in the Middle East and North Africa in terms of business incubation, whereas the UAE is ranked 19th, India is ranked 69th, and Nigeria is ranked 100.
7. Funding remains a major challenge for business incubators in Pakistan. In 2018, only 9 Pakistani start-ups received venture capital funding, compared to 34 in Nigeria, 38 in the UAE, and 790 in India.
8. As a fundamental requirement for all students, academic institutions need to teach entrepreneurial skills. There is also a need for technical hubs and infrastructure support in all Pakistani universities.
9. In addition to seed funding, infrastructure, and training, technical assistance must also be provided by universities .
10. An additional challenge faced by business incubators is the disparity in participation between men and women. Based on the last three cohorts conducted at NIC, only 15% of 1000 students were female, whereas the female population in universities is around 54%.

KEY TAKEAWAYS

11. **The National Incubation Centre (NIC) was established five years ago as part of the original ICT and R&D fund, which later became the Ignite fund.**
12. **Public funds are used to provide infrastructure by the government and private investors invest in start-ups and provide the mentorship required by young entrepreneurs.**
13. **By integrating modern technology with business methods, the NIC aims to enable the youth of Pakistan to revitalise the country's economy.**
14. **A report by Ignite indicates that NIC has generated Rs. 2.2 billion in revenue, more than Rs. 8 billion in investments and over 100,000 jobs across the country.**
15. **Across the globe, the average ratio of male to female founders is 14 percent, whereas the ratio at the NIC at Islamabad is 21 percent. The institute not only sets a benchmark but also exceeds it.**