Entrepreneurship amid Fragmented Markets

Reflections from Jerusalem

By Hazem Tirhi



> **I learned from working in fragmented markets that entrepreneurship support must shift from symbolic ecosystem-building to deliberate gap-filling. This means that we must invest less in stand-alone programs and more in connective tissue; we must provide shared workspaces that facilitate access to clients and investors, and financing instruments should be designed for continuity rather than scale alone.**

Entrepreneurship in Jerusalem does not begin with a business plan. It begins with a calculation: how to operate when markets are fragmented, movement is restricted, policy is incoherent, and the future is uncertain by design. Before diving into more detail, let me clarify fragmentation. In short, it means that support exists, but rarely in sequence or in synergy. Accelerators without follow-on funding, training without market access, and innovation without pathways to scale. The result is an ecosystem that produces activity but struggles to produce sustainable businesses.

Between 2019 and 2022, I co-founded and led an innovation and MSME support hub in Jerusalem. The intention was familiar: Support entrepreneurs, strengthen businesses, and contribute to economic resilience through skills, networks, and access. The hub was established as COVID-19 was unfolding, in a city that exists economically on the margins, disconnected from Palestinian markets, constrained by political and regulatory barriers, and largely absent from national economic planning. In this environment, entrepreneurship is often framed as hope. In practice, it is closer to coping.

The hub was created to respond to absence. Donors spoke of ecosystems, innovation pipelines, scalability, and success stories, of course! Entrepreneurs spoke of decent places to work, like-minded people to connect with, and access to potential clients or investors. The gap between these conversations was not ideological, it was structural. We were attempting to build entrepreneurial momentum in a place where the basic conditions for market continuity were fragile at best. In 2022, Palestine's tech startup ecosystem remained in an early activation phase, with fewer than 300 active tech startups and very limited early-stage funding.* According to the Startup Genome data on the Palestinian ecosystem, the total ecosystem value for the period H2 2022–2024 is US$72 million, compared to a global average of US$20.4 billion. During the same period, total early-stage funding amounted to US$8 million, versus a global average of US$514.8 million.

Like many entrepreneurship programs, we began with a familiar toolkit: technical training, mentoring, business modeling, and investment-readiness activities. These interventions are not wrong. I learned quickly, however, that they are simply incomplete. They assume a functioning market where access to clients, payments, logistics, and legal clarity can be taken for granted. Jerusalem offers none of these consistently.

Before and during the establishment of the hub, I had the opportunity to visit and study other entrepreneurship ecosystems. These experiences both sharpened my vision and, at times, deepened my frustration because they made Jerusalem's fragmentation more visible, and more intractable.

In 2019, I visited Gaza for the first time. Despite near-total infrastructural collapse, I encountered an astonishing density of entrepreneurial



energy expressed through what felt like beehives of young people working relentlessly to push ideas, products, and voices beyond imposed boundaries. The lesson was stark: When infrastructure is absent, education, skills, and resilience become the primary compensating assets. In Gaza, innovation was supported by determination rather than by systems.

In Jordan, I met with Oasis500 as one of the few seed-stage investment actors in the ecosystem, before the entry of players such as Flat6Labs. The lesson was different: Being alone gives flexibility but limits scale. Ecosystems cannot mature without collaboration among aligned institutions.

Visiting Denmark offered yet another contrast. What appeared initially as a low-profile ecosystem revealed itself as highly effective within specific domains such as fintech and clean and agri-tech. Strong universities, applied research labs, and private-public partnerships formed a powerful engine. The lesson was clear: When the recipe is right, success becomes a matter of time.

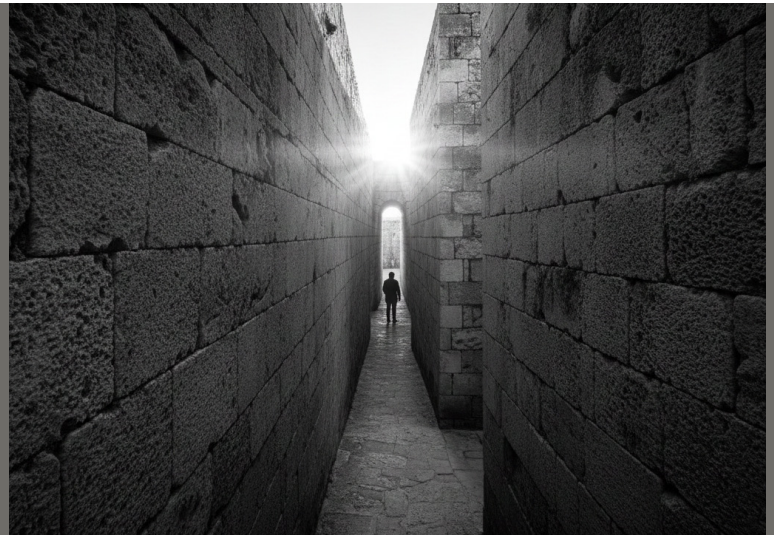
Finally, Silicon Valley, the place many entrepreneurs aspire to visit and learn from, remains a powerful reference point. Its infrastructure, capital, and institutional depth remain unmatched. Striking, however, was not what limits innovation there, but what increasingly shapes its future, namely geopolitical anxiety. Among conversations with people in leading universities, research labs, and innovation hubs, a quiet but pervasive concern about China was evident. This "China anxiety" now functions as a perceived boundary; not funding, not talent, and not infrastructure.

These comparisons clarified the meaning and nature of constraints. They also reinforced the reality that entrepreneurship in Jerusalem operates without the institutional, infrastructural, and policy scaffolding that other ecosystems take for granted. In our ecosystem, external constraint is ever-present, but it often becomes a convenient explanation for every failure. Israel as a political and structural reality is sometimes used as a hook on which all shortcomings are hung. While the constraints are real and severe, treating them as total explanations can obscure internal weaknesses that also demand accountability. Thus, in both local and international contexts, fear shapes innovation, but in very different ways and with very different consequences.

Entrepreneurship ecosystems are frequently described as networks of complementary actors that include accelerators, incubators, investment managers, research labs, private-public sector engagement, and universities. In functional contexts, these actors operate with a degree of harmony, each playing a distinct role in reducing risk and expanding opportunity for entrepreneurs. Government, in particular, provides the connective tissue, policy coherence, infrastructure, and strategic direction.

In Jerusalem, most of this architecture is either absent, fragmented, or inaccessible. Rather than an ecosystem, there exist isolated interventions that attempt to compensate for systemic gaps. Incubation substitutes for market access, training replaces policy, and donor-funded programs fill roles normally played by public institutions. Fragmentation is not abstract; it is visible and felt in every attempt to scale, collaborate, or plan beyond the short term.

The role of donors within this landscape remains complex.



Without external funding, many support structures would not exist at all. Yet donor timelines, reporting requirements, and success metrics often sit uneasily with entrepreneurial reality. Measuring numbers of workshops that have been delivered or startups that have been "incubated" is far easier than

measuring whether a business can survive six months of disruption. The language of innovation sometimes hides the harder truth that no amount of training can compensate for blocked markets.

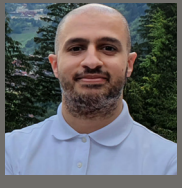
Still, not everything is failing. What works is quieter and less visible. Long-term mentoring matters more than short programs; exposure to real markets can be achieved through various engagements; trust between like-minded entrepreneurs and mentors has proven to be an economic asset. Treating businesses as economic actors rather than "beneficiaries" has fundamentally changed the relationship.

Universities can play a crucial role – not as isolated knowledge producers, but as anchors for applied research, talent pipelines, and early market validation. Donors, in turn, must prioritize predictability, working with longer funding horizons, fewer parallel initiatives, and clearer pathways between training, capital, and demand. In constrained environments, coordination is not a luxury; it is infrastructure.

Most importantly, success must be redefined. Not every venture will scale regionally or globally, and not every entrepreneur seeks exit or IPO. In places like Jerusalem, resilience is built through firms that endure, employ, and circulate income locally. Supporting these outcomes requires that ecosystem actors value survival, linkage, and legitimacy as much as growth.

Entrepreneurship in fragmented markets will never look like Silicon Valley, and it should not be judged by its metrics. But with intentional design, honest diagnostics, and coordinated action, it can move from a coping mechanism to a credible economic strategy. That shift is where real resilience begins.

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Hazem Tirhi is a development and entrepreneurship specialist who co-founded Station J in Jerusalem, supporting startups and MSMEs to build resilience in fragmented markets.

*Anera "The Tech Ecosystem in Palestine," Anera Report vol. 10, Summer 2022; unfortunately, there are no more recent reports or data available.