



## MINUTES: Workshop on Mediterranean Start-ups Financing

Marseille, December 3, 2010

### Context

Compared to enterprises implemented in OECD countries, Mediterranean enterprises are not so often looking for external financing to support their growth. In addition, the ANIMA-MedFunds observatory showed in 2008 that only 3% of the funds raised by Mediterranean Private Equity actors are dedicated to early-stage investments. Indeed, several curbs to investment exist when tackling subjects such as company incorporation, innovation and high growth start-ups. Four main constraints to be addressed in a Medventures long-term initiative have been identified and discussed during the Workshop on Mediterranean Start-ups Financing. Proposals of actions and collaboration have been made to answer the below needs:

- 1- **Information.** The lack of reliable information available to investors on Mediterranean investment conditions, markets contexts, and enterprises in the Med countries;
- 2- **Sourcing.** The difficulty for investors to access a viable deal flow, whether it is on national or international level ;
- 3- **Capacity building, co-financing and risk sharing.** The necessity to progress collectively (investors and early stage funders) in evaluating innovative projects, and to build networking platforms in order to facilitate co-financing and risk sharing.
- 4- **Regional tools.** The need for regional instruments to favour economies of scale, reinforce early-stage financing, and facilitate enterprises internationalisation.

### 1- Improving the information flow to investors

#### Assessment

- Information on Mediterranean countries exist, but there is a real lack of relevant information on various subjects which are important for investors and which will facilitate risk analysis, such as quality data on enterprises, explanations related to accounting laws (which differ from a country to another), data on enterprises organisation (board, corporate management, etc.) – *Rym Ayadi (CEPS)*
- Private equity actors usually rely on professional organisations (consultants, auditors, etc.) but which services are quite expensive for small investments – *Basel Roshdy (Nile Capital)*

#### Proposals & answers

- **Developing a network of high skills experts:** In order to be able to carry out accurate risk analysis, an expertise system should be set, and a network of reliable experts identified (developed with bankers, private equity actors, etc.). Today investors have difficulties in finding accurate information and this does not encourage its development on the Mediterranean – *Rym Ayadi (CEPS)*
- **Working with professional organisation to compile regional data:** There is a need to work with professional organisations (consultants, auditors, etc.) in order to compile efficient and reliable information – *Basel Roshdy (Nile Capital)*
- **Establishing a harmonised rating system:** In order to be able to pass from a sourcing of 10 company to 500 companies, there is a high need for instruments which could provide low cost due diligence : a harmonised and independent rating system for companies could be very useful in that sense. – *Bénédict de Saint-Laurent (ANIMA)*

- **Developing decision-making analysis:** Improving the information available on Mediterranean context and enterprises is also a need: ANIMA is already carrying out analysis to facilitate decision making (MedFunds on private equity activities in the Mediterranean region, MIPO – on foreign direct investment trends, Investment map – on national investment strategies, etc.) and is ready to continue developing information tools in the framework of MedVentures. Others sources can also be mobilised (Coface, Zawya, etc.). – *Bénédict de Saint-Laurent (ANIMA)*

## 2- Accessing valuable dealflow

### Assessment

- Having access to a good deal flow means firstly having access to good entrepreneurs. On the other hand, one looking for a dealflow needs good "gatekeepers". Gatekeepers can be found among: a) Top 500 companies; b) Business associations and chambers of commerce; c) Venture capitalists and business angels; d) Universities; e) Entrepreneurs networks and business events. – Fuat Sami (LabX, Turkey). To view Fuat Sami's presentation click [here](#).
- Support and promote a dealflow is a process including the following steps: a) map existing MNA and deals to understand the market; b) organise events to source entrepreneurs, or to match make entrepreneurs and investors/ partners; c) select the top entrepreneurs based on criteria shared by the VC community; – *Jean-Mars Soustre (European Tech Tour, Switzerland)*
- Generate a dealflow means looking at what did succeed on foreign markets. Many experiences, innovations or businesses could be replicated on the Med markets since the demand is not addressed - *Mehdi Abdelkrim (Firogest, Morocco)*.

### Proposals & answers

- **Enlarge the MedVentures network to top 500 companies**
- **Think about the next stages of MedVentures:** It could be a TV show; national business plan competitions; a regional financing instrument.
- **ETT proposes to share its experience and develop joint operations:**
  - **Organise the next Tech Tour on mobility and web in Marseille in fall 2011:** invite the MedVentures CEOs to a tech tour due to be organised in Fall 2011. Could be linked with MedVentures forum 2011.
  - **Organise tech tours in Mediterranean countries:** ETT proposes to organise a tour with VCs among Mediterranean countries, to introduce them to Med markets, support organisations and start-ups.
- **Support co-investments among the partners of the MedVentures network** in order to accelerate the internationalisation of Mediterranean dealflow.

## 3- Improve capacity building, co-financing and risk sharing

### Assessment:

- Develop co-financing implies to have clear and common rules among the investors willing to invest in syndication. This is always difficult in multi-cultural environment, and due to the limited means of investors. Another necessity to facilitate co-investments is to have local focal points (peers or investors) to which you can refer when investing in the country. Another condition to facilitate investment between countries is to give a better visibility to the possible exits in the various countries. – *Paolo Anselmo (IBAN/ EBAN, Italy)*
- We have developed a network of 50 "expert of confidence" in the field of finance and law services, as well as in banking institutions. They are based in France and the Maghreb countries. We also offer training and coaching to entrepreneurs in partnership with Euromed Management a business school based in Marseille. These are 10 days sessions (4 collective + 6 individual) to work on the strategy, the process, the business plan. – *Valérie Melin (Finances Méditerranée, France)*
- The interest of MedVentures is that it offers a regional benchmark for investors in each country. In Morocco, venture capital represents only 2% of the managed funds in the country. And all the funds are local, targeting

local investments. We are facing difficulties to invest in second rounds needed by our entrepreneurs to grow bigger and international, because as fund managers we have fund raising difficulties. – *Khalil Azzouzi (Dayam Fund, Morocco)*

#### Proposals & answers

- **Business angel academy** to share common rules and practices among the investor's community, and bridge the cultural gaps.
- **Offer transparent information on public incentives** and other commitments provided by the local authorities for innovative entrepreneurs and foreign investors.
- **Use the Finance Méditerranée network of experts** to guide MedVentures entrepreneurs with their legal, financial needs.

## 4- Developing regional financing tools

#### Assessment:

- Regional instruments can favour economies of scale.
- Co-investing with other funds is a necessity to facilitate the internationalisation of start-ups and SMEs, and encourage the implementation of spin-offs on other markets. However co-investment is usually limited by the nature of the VC investment funds which have most of the time a national scope. – *Khalil Azzouzi (Dayam Fund)*

#### Proposals & answers

- **Implementing of a regional guarantee fund:** The AFD has created the ARIZ Méditerranée guarantee fund in 2009 in order to facilitate SME access to finance. This fund has 45 million Euros under management and the capacity to cover up to a total amount of 225m€ of bank loans. This guarantee fund can cover up to 50% of a 2 million EUR loan, all sectors included (except for real estate investments). Agreements with partner banks in Tunisia, Lebanon, Egypt and Palestinian Territories have been already signed to enable them to offer these services. More agreements are to come. - *Jean-Louis Piquemal (Agence Française de développement)*
- **Developing a regional matchmaking platform for SMEs and Investors:** Oséo has decided to open its SME platform (*OSEO capital PME*) to *Medventures start-ups*, and to create a dedicated MedVentures community. This platform, dedicated to create connexion between investors and innovating SMEs, has enable registered SMEs to raise 45M€ of equity from Business angels and VCs, in the half of 2010 - *Vincent di Betta (Oséo)*
- **Supporting Mediterranean governments in their innovation strategies:** Oséo is also providing technical assistance to governments keen to improve their innovation policies (setting up of guarantee funds, grants and evaluation systems). It has already running programmes with Tunisia and Lebanon, and is ready to support other Mediterranean countries - *Vincent di Betta (Oséo)*. To view Oséo's presentation click [here](#).
- **Launching a regional SME fund:** The Arab states has set up a 2 billion dollars fund (located in Kuwait), in order to help SMEs in their development, which will be managed by the Arab league with the support of SEBC). The fund already exists, but its investment strategy is still being discussed. It will be officially launched in a year (end of 2011). Specific entities will be set within Arab ministries of finance, to provide information and details for interested SMEs.
- **Organising sectoral networking meetings for investors:** To work on other markets, the presence of a local investor (who knows the market) is of high added value. However it is necessary to find investors working on the same sector. Investor matchmaking should therefore be considered on a sectoral basis. – *Paolo Anselmo (IBAN) & Thierry Baujard (The peaceulfish)*