



EUROMED Invest Academy Barcelona

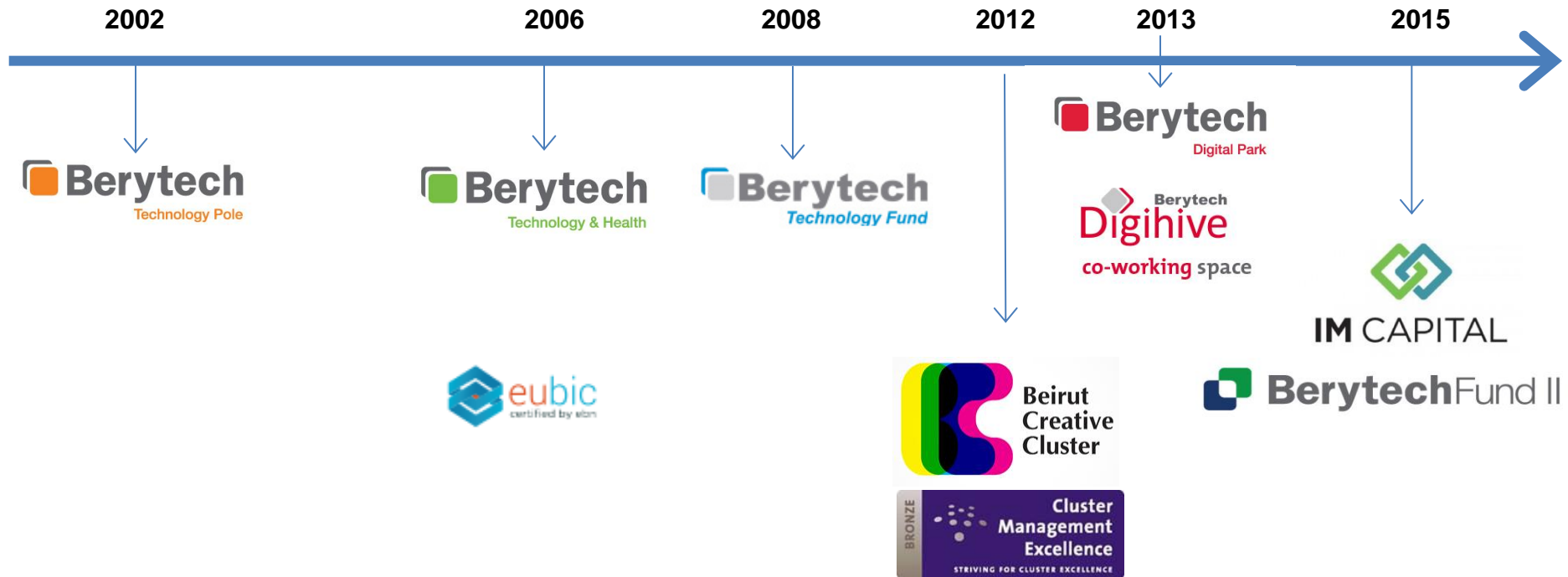
“Barcelona Declaration+20, Trade and Investment for a Mediterranean of shared prosperity”

Funding KBE: Lebanon Case

Nicolas Rouhana

Barcelona, November 24, 2015

Birth of an “eco-system”



- **Loan**

- Kafalat Start-ups and Innovation
- To finance Fixed Assets and Working Capital Needs
- Maximum Loan Amount LBP 650 Millions or c/v in USD
- Loan Duration: Up to 7 Years
- Guarantee Ratio Innovation 90% , Start-ups 85%
- Grace Period: Between six months and one year

- **Equity**

- 2008 - Berytech Fund (\$6M)
- 2009 - MEVP (\$18M)

Aug 2013: BDL Intermediate Circular 331 – “Banking outside the box!!”

- Total participations of any bank in Companies may not exceed **3%** of the bank's capital
- Participation of any bank in a single Company does not exceed 10% of the aforementioned 3%. However, the BDL Central Council may, on justified grounds, grant its approval to exceed any of these percentages
- The participation of banks may not exceed, at any time, 80% of the capital of a single Company.
- The margin realized by the benefiting bank as a result of the investment of the granted facilities, shall be calculated in a way that guarantees to the concerned bank a coverage amounting to **75%** of its participation in the Company.
- Guarantee is **100%** in accelerators/boot camps programs.
- The concerned bank must pay to Banque du Liban **50%** of the profits that may be realized through the sale of the Company's shares and through the distribution of any dividends by the Company.



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BDL Intermediate Circular 331 – Soft Loan Procedure

- Equity of Bank \$100M \Rightarrow 3% = \$3M \Rightarrow max 10% in each investment = \$300k
- The \$300k will be covered 75% by BDL, i.e. \$225k to be “given” upfront by BDL to the Bank
 - Loan from BDL of \$1.0M to Bank to invest in treasury bonds over 5 years at 6.75% discounted today = \$1,225k \Rightarrow balance \$225k paid to the Bank as Capital Increase in the “startup”

\Rightarrow 25% (Bank) + 75% (BDL) = **\$400M on aggregate !**

Purpose

- To foster knowledge economy
- To increase economic and social growth
- To create job opportunities
- To support creative intellectual skills (intellectual capital)

Beneficiaries

- Startup Companies (direct)
- Incubators and Accelerators
- Venture Capital Companies (indirect)

Eligibility Criteria

The beneficiary must:

- Be a Lebanese joint-stock company with nominal shares (SAL);
- Not be a financial or offshore company;
- Be able to boost economic and social growth and create new jobs;
- Have a project that is based on **knowledge economy and that supports creative intellectual skills and intellectual capital.**

- Information and Communication Technology
- **Creative Industries**
- Green Growth
- Medical and Health Tourism
- Chemical Industry (Oil and Gas)
- Education
- Others



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Outcome: \$200M already pledged:
VCs (covering major equity levels)

- BerytechFund2 (\$51M from 19 banks)



- IMPACTfund (\$70M)



- LEAP Ventures (\$70M from 12 banks)



- 2 banks in direct investments (BLC & Mawarid)

- Several Seed Funds: Division One (\$50M), *Simar Fund (\$25M) for Tripoli*



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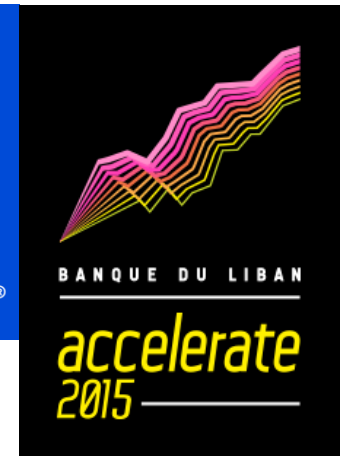
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Outcome: \$200M already pledged:
Support Initiatives



And that's not all !!

Kafalat iSME program (WB loan through GoL)

- \$25M for co-investment in three levels of equity capital assuming the same risk as the VC investor (pari passu):
 - Seed (< US\$350,000) with a participation of 50% in any deal
 - Venture (US\$350,000 – US\$1,500,000) with a maximum participation of 40% in any deal
 - Growth (US\$1,500,000 – US\$5,000,000) with a maximum participation of 30% in any deal

Equity co-investments will be made in an enterprise alongside another institutional investor such as VC funds, holding companies, formal business angel groups and investment banks.

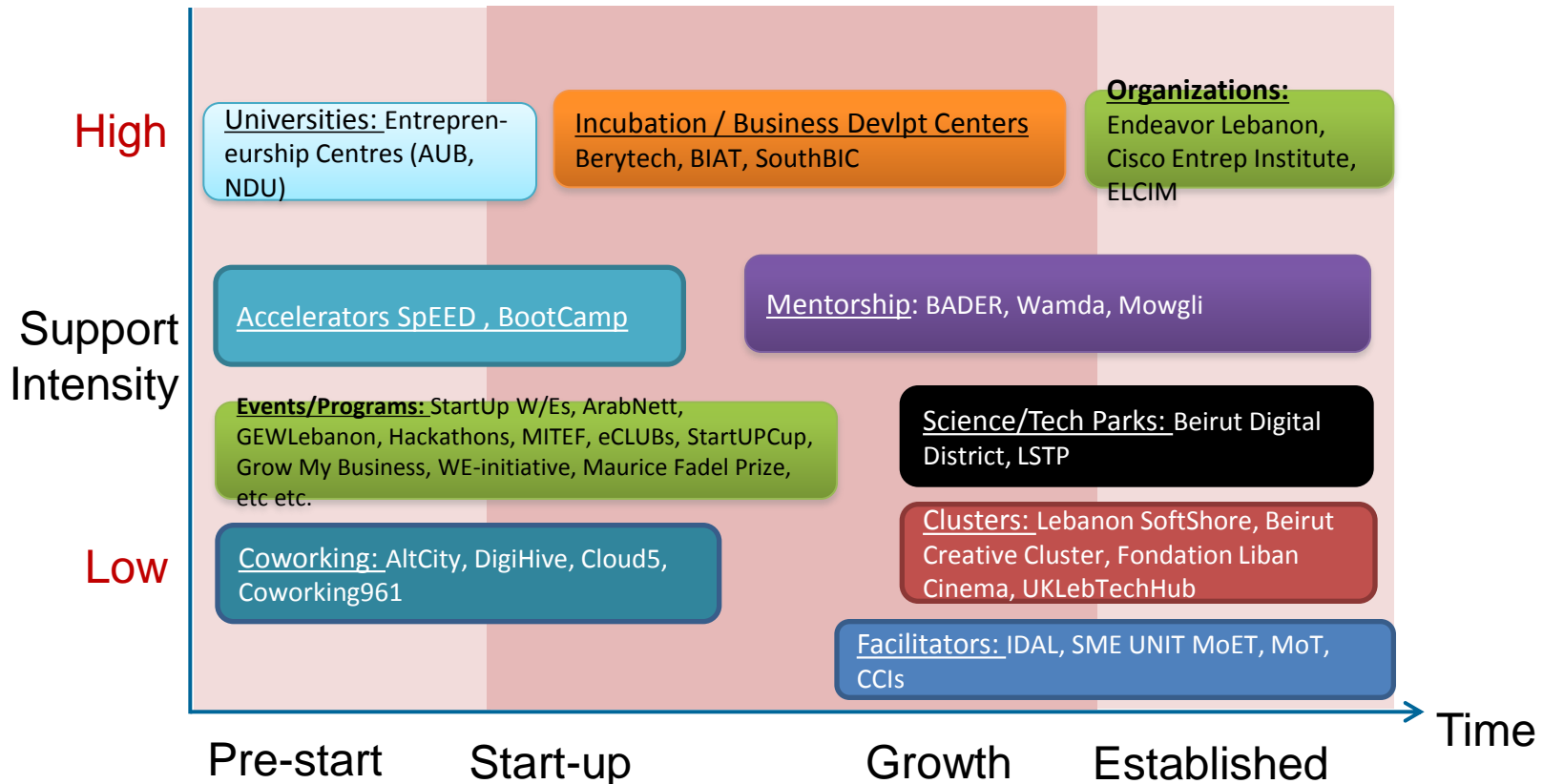
- \$2.5M grants for innovative projects
 - From \$10k to \$25k

- USAID MENA Investment Initiative (create Investment Managers in 7 MENA countries)
- \$15M obligated for Lebanon over 5 years
- 3 components to assist QESIs (Qualified Early Stage Investors) & QESBs (Qualified Early-Stage Businesses)
 - Matching Capital (up to 50% of new outside capital)
 - Investment Insurance (Equity Guarantee)
 - ▣ from \$0 → \$ 250,000 : guarantee of 65%
 - ▣ from \$ 250,000 → \$ 500,000 : guarantee of 40%
 - ▣ from \$ 500,000 → \$ 600,000 : guarantee of 20%

- Technical Assistance



- A mobile innovation hub (MIHub)
 - co-design and implementation of an open innovation lab for innovators and industry to interact, experiment, and share best practices
- Innovation competitions
 - training, mentorship and challenges that catalyze and accelerate entrepreneurs
- Skills for employability in the 21st century
 - students teaming up with industry to solve challenges and gain real-world experience
- Innovation for existing industries
 - a set of activities that integrates existing industries and legacy institutions with the mobile Internet ecosystem and brings innovation to their processes.



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Association of Organisations of
Mediterranean Businesswomen

Can Lebanon have it's “Silicon valley”?

- Tech Entrepreneurs
- Money–venture funding
- Attitude(risk-taking)
- Attractive and welcoming to diaspora + foreign talent
- Universities
- Weather
- No bureaucrats
- Technology/Science parks are for start-ups; they need to start there
 - Start-ups happen in clusters
- Internet (for direct to consumer) or Arab market (to compensate for small domestic market)
- Success stories (exits)

- Their has never been a time when the supply of capital & resources did not overwhelm the supply of opportunity
- Attractive and welcoming to diaspora + foreign talent
- Need to unleash the other \$200M !
 - New thematic funds (Fashion, Movie, Diaspora, etc) or programs (DFL, etc)
- Improve infrastructure
 - Law: LP – ESOP – Minority/Preferred Shares – Bankruptcy, etc
 - Internet, science parks, clusters, etc.
- Success stories
 - Ziad Sankari - CardioDiagnostics
 - Shahiya exit
 - Etc etc



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Thank you

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