

Global Forum Plenary 4: Bridging the Financing and Investment Gap

Moderator: Carlos Alberto dos Santos, SEBRAE

Susan Robles, MIF Multilateral Investment Bank, explained the Focus on Investment and Learning / Entrepreneurship as core activities under the aim to react quickly to new regional challenges – “*When others leave, we stay*”. MIF is financed through donations as well as income from loans and investments and acts directly with private sector and governments by providing grants (65 -75 %) and making investments through micro finance, angel investor networks, and VC (25 – 35 %). MIF supports various types of entrepreneurship, e.g. social entrepreneurship (indigenous population), subsistence entrepreneurs (typically microfinance), second chance entrepreneurs, and women entrepreneurs (“*Not gender is the issue, but qualification*”). Important lessons from 146 projects are:

- Accountability needs to be designed more clearly. Proposal to establish a “fund of funds” for angel investors. But equity investment / VC has suffered much in the actual crisis. Microfinance is an easier story to tell
- Each country / initiative needs to find its own way: “*Do not try to copy the US model – Silicon Valley. Find your own way and learn your own lessons*”
- The companies that exported most were hit harder by the actual crisis than other (local) businesses
- Dissemination of information and good practices is key for development

Alaya Betaieb, Arab Academy of Technology Transfer (ASTIF) described the financial gaps in developing countries, for example weak management practices and standards and a lack of understanding of the importance of networks. Additionally investment gaps make business development difficult (weak culture of entrepreneurship, lack of money, skills, and marketing and missing IP protection).

He also gave examples for attempts to overcome the problems like Tunisia that provides collateral free loans if enterprise has 50 % own capital and helps developing the skills of the entrepreneurs that are critical for success of the businesses – also in microfinance.

Regarding technology businesses support needs several mandatory ingredients, especially innovation and technology transfer. For this specific area a Technology Fund combining technology transfer and fund management could be a successful way: “*Invest in the rider (jockey) – not in the horse*”

Marcelo Lebendiker, Parque Tec, Costa Rica, characterized the situation in Central America: 90 % subsistence enterprise that mainly involve women with everybody doing the same, cannibalizing each other, having no growth potential and are not strong enough to pay back commercial loans. For technical assistance the consultant gets the money, not the entrepreneurs. The entrepreneurs do not see the funds and therefore do not value the service. For overcoming the problems it is critical to take national economy and policies into account when designing assistance programs and “*technical assistance needs to be re-capitalized*”, for example by giving (part of the technical assistance) as seed capital with returns from success fees to be paid only in case of success.

Recommendation: “*Explain to providers of technical assistance the concept of establishing self financing funds*”

Omer Oz, Bahrain Business Incubator Center, described the economic development program “Vision 2030” the Kingdom of Bahrain has defined for creating an eco-system supportive to enterprise development in the country: “*Business Incubation needs to be embedded in a system of measures that support entrepreneurship and SME development in general. Such a system should include capacity building initiatives and financing instruments for SMEs as*

well as targeted business incubation activities for different types of enterprises. In Bahrain a mixed business incubator (BBIC) already exists since 2003 and now is being expanded significantly. Other incubators will focus on university related start-ups and handcraft businesses as well as Women owned businesses. Profits from commercial real estate operation (physically part of the incubator) could be used to finance business incubation support and reach sustainability.

Discussion with the session participants concentrated around

- The need of intensive government involvement in financing the (risky) early stages of start-up financing.
- The necessity to coordinate programs and activities for supporting enterprise start-up and development.
- More intensive communication between governments and business sector is needed
“Countries doing this a getting it right”
- The importance of adapting programs to the concrete environment. Example: GCC countries have problems to establish VC because they cannot provide tax incentives (there are no taxes paid)
- The importance of integrating practices and tools from other countries for continuously developing entrepreneurship and innovation support
- The role of government policies for innovation and entrepreneurship support as a foundation for all individual activities in incubation, capacity building, and financing.