SMES AS ENGINES OF ECONOMIC GROWTH IN AFRICA:
(c) The use of the IP system by SMEs in Africa
challenges and successes

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and Value Addition for Business Competitiveness in Africa

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BRIDGING INVESTMENT IN TECHNOLOGY SMEs: MISSING INGREDIENTS IN Developing World

Innovation
Techno Transfer
Business Environment For Creating SMEs
Venture Capital
Access to Soft Loans

Technology Index
Economic Creativity Index
Creation Index

CLARIFYING THE OVERALL FINANCING SCHEME

Idea → R&D → Prototype → Creation → Start-up → Growth and Development → Maturity

FFF, Angel Investors, Government Grants & subsidies, Corporate VC/PE

Seed/VC/PE Capital

Seed & Spin-Off Funds → Venture Capital → Private Equity → M&A Capital

Risk levels
High → Low

Bank financing

Stock Market
## Gaps & Gaps in Investment

### Financial (LP) Gaps
- Shortage of funds (crisis)
- Region weak image for technology
- Remember High Risk, but forget High Return
- GPs lack record, BMP
- Lack of interest
- Lack of govt incentives
- Nevertheless It is also a matter of network

### Investment (GP) Gaps
- Weak Exit possibilities
- LP terms are binding
- Weak deal flow,
- Entry barrier low,
- Market need low
- Lack of mangmt skills,
- Missing IP legal framework
- IP diligence, IP expertise
- Bad timing
- Lack of interest
CORPORATE VC BRIDGING BOTH FINANCING & INVESTMENT GAPS

**Phase I**
- Macro Awareness Campaign
  - Macro Policy
  - Marketing Campaign
  - Corporate Knock Doors missions

**Phase II**
- Creation Spin-Off unit
  - Conducting F/S to identify projects to be spinned-off
  - Hiring a mentor/coach

**Phase III**
- Coaching the candidates
  - Coaching
  - Hosting
  - Logistic backing
  - Pre-creation Assistance
  - Co-financing and finalisation of the business plan

**Phase IV**
- Appraisal & Approval
  - Evaluation of business plan
  - Approval and Closing the financing
  - Financial Agreements
  - Last diligence
  - Shareholders agreement
  - Assistance for the creation
  - Release of Money.

**Phase V**
- Rights implementation
  - Receiving the grants and set of incentives to set up the project.
  - Benefit from technical and logistic assistance to achieve the project.
  - Benefit from the transitional regime

**Exit Scenarios**
- Through the entrepreneur
- Through the management
- Through another Fund
- Though indust. Company
- LBO
- Alternative market.

**Obligations**
- Implementing the project according to the standard spin-off agreement.
- Transparency in dealing with information
- Regular Reporting
- Achieving the objectives of the project according to the BP.

**Diagram:**
- MIE & PME
- Mother Co.
- Spin-off Desk
- Candidate
- Potential Entrepreneur
- Spin-Off Agreement
- Readjustment of the business plan
- Corporate/Start-up Agreement
- Financing
- Creation of Enterprise
- SME
- Exit
- Reimbursement Principal + Capital Gain
- Phase I: Progress Reports Quarterly
FILLING THE TECHNOLOGY GAP: THE TTO-VC INVESTMENT MODEL (case LS)

**Technology Fund**
- Licensing-driven Fund
- VC & PE
- Life Science specific
- High Value target

**Tech Transfert Co.**
- Techno contracts
- Techno Search
- IP Diligences
- IP Drafting/Listing
- Techno Auditing
- Techno Valuation
- Techno Licensing
- Techno Assistance

**Fund Management Co.**
- Deal sourcing
- Investment Due Dilig.
- Validation of DD with Consulting firm,
- Following-up investees
- Exit coordination with Tech Transfert Co.

**Life Science Consulting (optional)**
- Market Diligence
- Techno Diligence
- Techno Auditing
- Techno Coaching
- Techno formation

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Why Technology Licensing OUT Could lead to Successful Early Stage Technology Investment

- Because it guides potential entrepreneurs/researchers towards market demand, and BAs/VCs towards a start-up which products or services are promising,
- Because it secures VCs for better protection of IP rights,
- Because it helps assess value of technology at exit stage essentially
- Most importantly it helps VCs exiting, by commercializing the technology through trade sales transaction, with the help of the TTOffice.
Why Technology **Licensing IN** could lead to Successful Later Stage Investment

- Because Technology « if well managed » rather than financial restructuring is behind strengthening the competitive advantage of a company and lastening its activity,
- By injecting proven new technology through a Licensing contract we give chance to a company to remain competitive for a while,
- A licensing contract will secure access to new technology in a very short time, better transfer through continuous technical assistance, access to all improvements in technology and its impact on lasting the competitiveness….,
- Most importantly it increases the value of the project at the entry which could be recovered at the time of exit, with significant additional capital gain,
- Finally it helps VCs exiting hopefully with multiples, by commercializing the technology through trade sales transaction, with the help of the TTOffice
WHY SHOULD LPS BE INTERESTED IN INVESTING IN TECHNOLOGY IN AFRICA

- Seeding for future PE deals,
- Growing AFRICA as a technology market (ex: East Asia, ASEAN, East Europe, Latin America, …) for developed economies
- Techno start-ups could play crucial role in such a target,
- Techno start-ups contribute to the burning need for Building a SME fabric in emerging AFRICA,
- Environment is inciting + potential for research breakthrough is high + young graduates available…
- Opportunities for strategic alliances in different fields with developed countries.
Thank you for your attention

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