

FINANCING TECHNOLOGY ENTREPRENEURS & SMES IN DEVELOPING COUNTRIES: CHALLENGES AND OPPORTUNITIES

MOROCCO
Country Study

AN *infoDev* PUBLICATION PREPARED BY

Roberto Zavatta

Economisti Associati SRL in
collaboration with

Zernike Group BV

Meta Group SRL

June 2008

Information for
Development Program


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ABBREVIATIONS AND ACRONYMS

AMIC	<i>Association Marocaine des Investisseurs en Capital</i>	GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> (German development cooperation agency)
ANRT	<i>Agence Nationale de Régulation des Télécoms</i>	ICT	Information and Communication Technology
APEBI	<i>Association des Professionnels de Technologies de l'Information</i>	ICTE	ICT Enabled
BCP	<i>Banque Centrale Populaire</i>	IFC	International Finance Corporation
BMCE	<i>Banque Marocaine du Commerce Exterieur</i>	IFI	International Financial Institutions
BPO	Business Process Outsourcing	RME	<i>Réseau Maroc Entreprendre</i>
CCG	<i>Caisse Centrale de Garantie</i>	SME	Small and Medium Enterprise
CDG	<i>Caisse de Dépôts et Gestion</i>	SSII	<i>Sociétés de services d'ingénierie en informatique</i>
CETIC	<i>Centre Marocain des Technologies de l'Information et de la Communication pour les Entreprises</i>	TOR	Terms of Reference
CRM	Customer Relations Management	UNDP	United Nations Development Program
DFI	Development Finance Institutions	UNIDO	United Nations Industrial Development Organization
EC	European Commission	USAID	United States Agency for International Development
EIB	European Investment Bank	VSAT	Very small aperture terminal
ERP	Enterprise resource planning	WTO	World Trade Organization
EU	European Union		
FPME	<i>Fédération des PME-PMI</i>		
GMPCS	Global mobile for personnel communication system		

Exchange Rates

US\$ 1 = MAD 8.864 (average 2005)

EUR 1 = MAD 11.014 (average 2005)



EXECUTIVE SUMMARY

Over the past few years, Morocco's ICT/ICTE sector has grown considerably, and prospects for the future appear positive. Moroccan software houses have a strong position in certain niche markets, like software for payment systems, and some of them have been able of competing successfully in the international market. In addition, the ICTE sector is rapidly expanding. Around 150 call centers are already active and 50 more are in the pipeline. Fueled by a number of competitive advantages, including a favorable geographical position, the presence of a skilled and comparatively inexpensive workforce, and a world-class broadband connection, the BPO industry appears as one of the best promises for Moroccan ICT/ICTE industry for the near future. Domestic demand for ICT products and services is also on the rise, and about 800 distributors and installers of IT equipments and software are recorded. The number of Internet users is growing at a two-digit rate, but the vast majority does not have home connections and access the Internet at *cybercafés*. The market for Internet access is stagnant. The small ISPs are going through a consolidation process, while the large ones—typically attached to telecom operators—are more and more venturing in the provision of Internet-based value-added services. The government is paying more attention to the ICT/ICTE sector and several measures have been adopted or are in the process of being finalized. This includes regulative acts, as well as investments in infrastructures and concrete measures in the support of ICT/ICTE firms. In this process, an increasingly active role is played by the private sector associations and other intermediary organizations.

The financial system is fairly developed and liquid. Banking sector underwent a significant modernization process in the nineties, and today it asserts state-controlled banks, domestic private banks and foreign-controlled entities. In the non-banking segment, leasing institutions have witnessed a notable

expansion, while factoring services market struggles to take off. Private equity industry is also well developed, with around 15 schemes in operation and a consolidated capital tripled over 2000. Nonetheless, SMEs—especially in ICT/ICTE sector—sometimes face serious difficulties to raise the money to finance their development and expansion. The Study identified the existence of a financing gap for operations in the US\$0.1–1.0 million range, possibly more acute in the US\$0.4–0.8 million window. Various factors concur to determine this gap:

- **Financing Policies:** Conservative attitude of banks; excessively stringent securitization requested. Also procedural difficulties are reported. Most of VCs focus on larger deals;
- **Limited Diffusion of Alternatives:** Financing instruments like credit guarantees schemes are marginal in the ICT sector. The development of factoring services is lagging;
- **Constraints on the Demand Side:** Small entrepreneurs are often scarcely familiar with the various financial instruments available. Poor quality of projects submitted. Control aversion *vis-à-vis* VC financing;
- **Understanding of ICT:** Bank officers have often a scarce knowledge of the various ICT/ICTE business models, and therefore are more inclined to reject request of loans in this area;
- **Business Environment Constraints:** The existing credit information system has a very limited coverage. The existing legal framework does not incentive the enlargement of access to credit.

In Morocco the financing gap is more determined by a mis allocation of resources rather than by an absolute lack of funds, therefore the possible measures identified to facilitate ICT/ICTE SMEs' access to financing aim primarily at improving the efficiency of the existing mechanisms. The envisaged interventions fall within three categories. To begin with, it appears necessary to improve access to **equity financing**, devising incentives for VCs to consider also deals below the virtual threshold of US\$1.0 million. This could take the form of a scheme covering the transaction costs associated to the handling of financing proposals submitted by

SMEs. Such a scheme could likely 'lower' the normal target of VCs to include deals in the US\$0.5–1.0 million range. Below this line, different instruments should be worked out, such as, for instance, the establishment of a seed financing facility dedicated to the ICT/ICTE sector. At the same time, it is recommendable to devote efforts to facilitate access to **bank financing**. Banks remain the main potential source of capital for SMEs and two possible measures in this area appear particu-

larly worth considering: (i) assistance in the establishment of a credit guarantee scheme with special focus on ICT/ICTE; (ii) set up of a facility which helps entrepreneurs to prepare, submit and defend their loan applications. In addition, initiatives aimed at improving the overall **understanding of ICT** could also prove beneficial, as this would help bridging the 'informational gap' and reduce somewhat the caution of institutional investors and lenders vis-à-vis ICT/ICTE entrepreneurs.

I. INTRODUCTION

This report (the “Report”) has been prepared by *Economisti Associati* (the “Consultant”) within the framework of the assignment on “Scaling up Innovation and Entrepreneurship in Developing Countries: The Role of Private Sector Finance” (the “Assignment” or the “Study”). The overall objective of the Assignment is to analyze issues in the financing of small and medium enterprises (SME) in developing and emerging countries, with special reference to small businesses active in the information and communication technology (ICT) sector as well as in ICT-enabled (ICTE) activities.

This Report is part of Phase 2 of the Assignment and reviews recent developments in the ICT/ICTE sector in Morocco, with special emphasis on current conditions for the financing of ICT/ICTE small enterprises. The Report is based on the results of a field mission in Morocco, January 15–21, 2006, as well as on the analysis of a variety of secondary sources. Additional information was collected during the attendance to the First Conference on Business Incubation that was held in Casablanca, in early February 2006.

The Report is structured as follows:

- Section II presents a country overview including the ICT/ICTE industry, the relevant policy and institutional framework, and the financial system;
- Section III analyzes the main issues related to the financing of small ICT/ICTE enterprises;
- Section IV offers some conclusions and recommendations.

The Study also includes a series of Annexes, providing additional information and supporting evidence for the elements presented in the main text. In particular:

- Annex A provides additional information on the ICT/ICTE sector;
- Annex B illustrates the institutional setting for the ICT/ICTE sector;
- Annex C reviews the Morocco’s financial system;
- Annex D provides the list of entities and persons met during fieldwork;
- Annex E presents the profiles of some SME financing organizations;
- Annex F presents the profiles of small ICT/ICTE enterprises interviewed during fieldwork.



II THE COUNTRY BACKGROUND

II.1 THE ICT/ICTE SECTOR

Overview¹: In 2006, the *turnover* of Morocco's ICT sector—broadly defined as telecoms and call centers—was estimated at US\$3.9 billion. Telecoms are by far the main sector, with a turnover estimated at US\$3.0 billion. The rest is almost equally divided between distribution and maintenance of IT equipment, and ICT/ICTE activities, such as software development, BPOs, and call centers. The total *employment* is unknown, but it is probably close to 70,000. The estimated breakdown of employment within the sector is as follows: (i) call centers – 25,000 employees; (ii) the telecom sector – 14,000 employees; (iii) ICT services and the sale and installation of ICT equipment and software – 8,000 employees; and (iv) cybercafés – 15,000–20,000 employees. The ICT/ICTE sector includes more than 12,000 enterprises, including: (i) 12 telecom operators; (ii) 800 firms involved in the selling and installation of IT equipment and software; (iii) 200 software houses and IT solutions providers; (iv) 150 call centers; and (v) 11,000 cybercafés. The vast majority of enterprises are SMEs, with employment levels typically well below 50.

Telecom: The incumbent operator, *Maroc Telecom*, dominates the Moroccan telecom sector. Landline telephony was concretely liberalized in 2005, when two additional operators were licensed. However, the penetration rate remains quite low—about 4%—and a slight decline has been recorded. Conversely, the mobile sector is steadily growing. Today, one Moroccan out of two has a cell phone—there are 16 million subscribers. There are two mobile operators, with the former monopolist holding two-thirds of the market.

Internet Services: As of the end of 2006, there were about 400,000 Internet connections, with a

penetration rate of about 1.5%. Nearly all of the connections are ADSL—in this respect Morocco is among the most advanced countries. The majority of Internet users do not have a permanent connection, but rather, access the Internet through cybercafés. The estimated number of surfers is 4.5 million. The Internet services market is completely liberalized, and, although precise figures are not available, around 20 Internet service providers appear to be currently active. The largest access providers are affiliates of the big telecom operators. In particular, the market is dominated by the former telecom monopolist, which has gained the lion's share through aggressive strategies. There have been frequently accusations of unfair competition.

ICT/ICTE Activities: The Moroccan ICT/ICTE industry is moderately developed. The sector is heavily dependent on foreign technology, and most of the activities performed are unsophisticated. However, recently some niches of endogenous specialized IT firms have emerged, especially in the fields of software development and BPOs. The majority of technology firms are simple distributors of IT equipment and off-the-shelf software—around 800 enterprises. There are a few that operate on a considerably large scale. There are a number of local assembling and manufacturing operations that serve both domestic and foreign markets. Conversely, the software development and IT services industries have a strong tendency to target international markets. Morocco is increasingly becoming a major supplier of IT solutions for the Francophone world. There are approximately 200 *sociétés de services d'ingénierie en informatique (SSII)*, most of which are small or *micro-sized*. They generate an annual turnover of US\$200–250 million. The most advanced firms are specialized in integrated payment solutions and other ERP systems. The small players are mostly active in customized software and web applications. The BPO sector is rapidly expanding. In particular, the call center industry has boomed

¹ Figures are mainly drawn from APEBI, *Secteur TIC Maroc —Chiffres clés et potentialités— Etude 2004 – 2005*, and from a variety of other sources, such as articles appearing in the press and company websites.

over the past two to three years. Today, there are over 150 active call centers, employing no less than 25,000 staff—they mainly serve the French market.

II.2 POLICY AND INSTITUTIONAL FRAMEWORK

Overview: The development of ICT is one of the priorities most frequently mentioned by Moroccan authorities, and despite some persistent weaknesses, the Moroccan legal and policy framework can be regarded as one of the most development-friendly in the MENA region. The reform of the **telecom sector** started in 1996, with the approval of Law 24, which paved the way for liberalization. Subsequent steps included: (i) the corporatization and privatization of *Maroc Telecom*; (ii) the establishment of an independent regulatory body, the *Agence Nationale de Régulation des Télécoms* (ANRT); (iii) the tendering of a second GSM license; and (iv) the recent tendering of two fixed telephony licenses. Developments in the Internet market have been less exciting, with significant delays in the introduction of ADSL. However, in recently times the situation appears to have improved significantly.

In the **IT sector**, the government has elaborated an ambitious development strategy, *Stratégie E-Maroc*. It encompasses a variety of measures aimed at: (i) supporting human resources development; (ii) promoting the use of IT among the general public; and (iii) modernizing the public sector through e-government initiatives. Responsibility for the implementation of the *Stratégie E-Maroc* rests with the *Ministère des Affaires Economiques et Générales* (MAEG), placed under the authority of the Prime Minister. Another important policy document is the *Plan de Promotion des TIC auprès des Entreprises* (PROTIC). It is aimed at promoting the adoption of advanced technologies by the enterprise sector, especially by SMEs. Responsibility for the implementation of PROTIC rests with the *Ministère de l'Industrie, du Commerce et de la Mise à Niveau de l'Economie* (MCI).

Specific Measures: The concrete measures adopted thus far include:

- The establishment of the *Casablanca Technopark*, to support the development of ICT firms in their early stages of development;
- The establishment of the *Centre Marocain des Technologies de l'Information et de la Communication pour les Entreprises* (CETIC), to promote the use of ICT by private enterprises;
- The launch of several measures to promote e-government in various fields, including justice and social security;
- Significant efforts to fight software piracy, which have led to a significant decline in piracy levels—from 82% in 1994, to less than 60% in early 2000;
- Significant legislation aimed at creating a more conducive climate for e-business—this includes laws on electronic signatures and cybercrime.

The most recent initiative is the Casablanca Near Shore Park Project—commonly referred to as Casa Shore. It is aimed at supporting the development of call centers and the BPO industry. It will involve an investment of more than US\$150 million in a 55 hectare area. Officially launched by the king in late 2005, the project is expected to become operational in 2007.

Cooperation with the Private Sector: The identification of measures aimed at fostering the development of ICT has frequently been the subject of extensive discussions between the government and the private sector, as represented by the sector association APEBI (see below). An example of this public-private dialogue was the *Contrat Progrès* program, which was launched in 2001. A similar program, called *Contrat Progrès 2006–2012*, was finalized in September 2006. This program encompasses a variety of measures aimed at supporting the development of the ICT industry. These include: (i) promoting fiscal facilitations; (ii) implementing measures for the financial support of ICT/ICTE SMEs; (iii) investing in human resources and education; (iv) strengthening the legal framework; (v) supporting the diffusion of the Internet; and (vi) accelerating e-government initiatives.

Cooperation with Donors: Government efforts to promote the use of ICT have been supported by the donor community in various ways. In particular:

- The European Union, through the MEDA program, supported the establishment of CETIC (see above);
- USAID provided assistance to the ANRT through the organization of training courses, and is currently supporting the ICT industry as part of its New Business Opportunities program;
- The French Government supported the establishment of the *Réseau Maroc Incubation & Essaimage* (RMIE), a network of incubators assisting innovative enterprises, including ICT firms;
- UNDP supported the use of ITC by the general public, through the establishment of telecenters and other initiatives in poor neighborhoods of major urban areas;
- The World Bank, through the *infoDev* program, is financially assisting the *Casablanca TechnoPark* (CTP) for its business incubation activities.

II.3 THE FINANCIAL SECTOR

As a result of the reforms initiated in the early 1990s, Morocco has significantly modernized its financial system. The banking sector is now largely in private hands, and bank lending has increased significantly as a share of the GDP. New financial products, such as leasing and factoring, have been introduced into the market. A private equity industry has gradually emerged. The legal framework has been gradually improved, with a strengthening of regulatory functions. The banking sector has been placed under the supervision of the central bank, *Bank Al-Maghrib* (BAM,) and the *Conseil Déontologique des Valeurs Mobilières* (CDVM) oversees the stock market.

The Banking Sector: Morocco's banking system includes 17 commercial banks, with total assets of about US\$45 billion². The state still controls five banks, but a private presence has been constantly increasing over time, partly as a result of successive privatizations. Foreign financial institutions have controlling or significant shareholdings in several banks. Over time, Morocco's banking sector has witnessed an increase in concentration—the three largest banks are currently estimated to account for over 60% of the total assets. Bank credit to the private sector is at 56% of the GDP. This is somewhat lower than in other comparable countries in the MENA region, such as Tunisia, which is at 67%. In the third quarter of 2005, non-performing loans

accounted for 18.4% of total loans, but they are largely concentrated in a few state-owned institutions. Lately, private commercial banks have been suffering from the crisis within certain sectors, such as textiles and clothing. Nevertheless, they remain in a relatively healthy position. Retail banking remains quite undeveloped, with only 2,000 branches across the country. Less than 20% of households have a bank account, compared with 40% in Tunisia. Another structural weakness involves the high reliance on non-interest bearing demand deposits, which account for 40% of the total resources. Interest rates range between 7% and 12.5%.

Venture Capital: Morocco's equity financing industry has developed over the past 15 years. The first equity financing scheme, *Mussahama*, was launched in 1993. It had an initial capital of only MAD55 million, which amounted to about US\$6 million at that time. In the subsequent years, a couple more investment operations were launched—such as *Faisal Finance*—but until the end of the 1990s, the level of activity remained low, with investments in the order of US\$1–3 million per year. A major change took place in 1999–2000, with the establishment of five other operations: (i) *Capital Morocco*; (ii) *Maghreb Private Equity Fund*; (iii) *Accès Capital Atlantique*; (iv) *CFG Développement*; and (v) *Upline Technologies*. The five operations had a total funding of US\$100 million. Later, new operations were established, such as *Fonds Sindibad*, Morocco's first seed capital fund. The pace of investments accelerated considerably. Most of the funds established at the turn of the century are currently fully or largely invested, and a new generation of equity funds is being raised. Examples include: (i) *Actif Capital*, the first real estate fund established in Morocco, with a US\$30 million capital—which may go up to US\$80 million; and (ii) the Capital North Africa Fund, with a capital of US\$35 million. The legal framework for equity financing appears for the most part to be adequate. A new law on venture capital operations was adopted in December 2005, which introduced a distinction between the management companies and the funds “proper”. In addition, funds that place at least 50% of their investments in unlisted SMEs enjoy a preferential tax treat-

² Bank Al-Maghrib, *Bulletin Trimestriel*, Nr. 105, September 2005.

ment—they are exempted from the payment of corporate taxation. Equity investors are grouped in an association, the *Association Marocaine des Capital Risquers* (AMIC). In 2004 and 2005, AMIC received support from USAID, in the form of workshops provided by the FSVC. The latter has also provided operational assistance to *Moussahama and Fonds Sindibad*. The French venture capital firm *SIPAREX* has been recruited by EIB and CDG to provide technical assistance to the feasibility and take-off phases of several operations.

Government Schemes: In the framework of the *Contrat Progrès 2006 – 2012* (see section III), the government will support Moroccan ICT/ICTE SMEs through the allocation of a specific budget to finance their operations and direct contributions to investment in R&D. The fund will have an initial endowment of US\$12 million, and will operate in two ways: (i) it will provide guarantees for the refinancing of loans extended to ICT/ICTE firms; and (ii) it will co-finance at 50%, innovative business projects proposed by ICT/ICTE firms up to US\$120,000.

III. ISSUES IN THE FINANCING OF ICT/ICTE SMALL BUSINESSES

III.1 SME FINANCING NEEDS – THE DEMAND SIDE

The financing needs voiced by Moroccan ICT/ICTE small businesses reflect the diverse nature of the sector, which encompasses recently established micro-enterprises working in niche markets, and established operators that have already gone through a couple of expansion phases. The amounts sought by ICT/ICTE companies vary accordingly, ranging from US\$30,000–50,000 to over US\$2–3 million. The rationale for these financing needs is varied—it ranges from the funding of initial R&D expenses to the building-up of working capital, to the establishment of foreign branches in order to penetrate new markets.

The financing needs voiced by Morocco's ICT/ICTE enterprises at different stages of development are summarized in Table 1³.

Considerations for Specific Sub-Sectors: The considerations discussed above are not applicable to companies active in some specific sub-sectors, such as Internet services and call centers/BPOs. The investment needs in those sub-sectors are different in scale and do not seem to follow the same staged, evolutionary pattern:

- **Internet Services:** As mentioned in Section II.2, Morocco's ISP market is highly concentrated. No new entry has recently occurred, or is expected to occur in the near future. Therefore, for all practical purposes, the only typology potentially relevant for our analysis is the

cybercafés. These are very small operations, with limited operational capabilities and limited financing needs. As shown by the survey conducted by ANRT in 2002, the average investment in cybercafés is US\$20,000—only 5% of interviewees declared an investment in excess of US\$30,000. Even when some form of expansion is considered, such as adding new computers or purchasing equipment for scanning, photocopying, or some other complementary activity, the amounts at stake are very small. For example, the management of the *Maroc CyberCafé*, who were interviewed in El-Jadida during fieldwork, said that they are currently considering an expansion of their activities. However, the amount of investment involved is only US\$4,000–6,000⁴;

- **Call Centers/BPO Services:** In the case of call centers/BPO services, financing needs are significant, sometimes in the US\$500,000–1,000,000 range for an initial operation with 100 workstations. However, these businesses do not require any significant development phase, and new operations are often launched on the basis of pre-existing contacts with clients. Even successive expansion rounds simply involve a scaling-up of operations, without any major alteration in the business model. The financing needs relate primarily to the purchase of workstations and telecom equipment. The working capital requirements are kept at relatively moderate levels by a series of factors, such as better contractual terms with clients and suppliers, and limited labor costs. On the other hand, in the initial stages, the recruitment and training of personnel may absorb significant resources, especially when the service to be provided has a significant technical content.

³ For more details on the enterprises cited in this section, please refer to the company profiles presented in Annex F.

⁴ For more details, please refer to the company profile presented in Annex C.

TABLE 1. *Summary Presentation of ICT/ICTE Financing Needs*

Time line	Amount Sought	Rationale	Examples from fieldwork
Early Stage	US\$20,000 to 100,000	The initial stage goes from the conception of the business idea and the initial development of products and services, until the moment when commercialization begins ⁵ . The duration of this initial phase may vary considerably. In certain cases, a combination of favorable factors may quickly push the company toward the stage of actual commercialization, which entails rapidly escalating financing needs.	<ul style="list-style-type: none"> ■ Firstmile Telecom – wireless broadband devices (CTP tenant)
Development	US\$100,000 to 500,000	This phase corresponds to the actual commercialization of the products and services developed in the initial stage. Financing requirements typically refer to the need to support market development, with the creation of adequate production capacity, such as the hiring of software engineers and technicians, and the building-up of working capital. In Morocco, escalating working capital requirements are often the consequence of the unfavorable payment terms confronted by small ICT/ICTE companies. Contracts rarely involve an advance or interim payments. A number of companies have been forced to accept payments at “90 days end of month”, which effectively translates into 100–110 days. Whenever hardware components are involved, the availability of adequate levels of liquidity is also required to finance bulk purchases, which in turn allows a reduction in unit costs.	<ul style="list-style-type: none"> ■ Willnet – web design, Intranet application, ERP ■ Webcity – web design, e-contents (CTP tenant)
First Expansion	US\$500,000 to 1.5 million	The first expansion phase is often associated with the launch of a new, upgraded version of the original product, which incorporates and systematizes the improvements gradually introduced during the first commercialization phase. In other cases, this phase involves some degree of diversification, with the introduction of new products or services that build upon the technical expertise acquired with the initial product and on the connections established with certain clients. Depending upon the nature of the business, financing needs may refer to: (i) a further expansion of production capacity—the hiring of more engineers or the purchase of advanced software and hardware or (ii) the build-up of a “serious” distribution or maintenance network—the opening of branches in other cities.	<ul style="list-style-type: none"> ■ M2T – integrated payment solutions
Second Expansion	More than 1.5 million	This stage of development is associated with a major change in the scale of operations, which in turn, often implies a move into foreign markets. This involves the establishment of commercial subsidiaries and/or technical assistance centers abroad, and a host of other internationalization-related expenses. Thus far, only a handful of Moroccan ICT/ICTE companies have reached this stage of development.	<ul style="list-style-type: none"> ■ HPS – electronic payment systems

III.2 ISSUES IN ACCESSING FINANCING – THE SUPPLY SIDE

Issues in Accessing Bank Financing: In Morocco, the access of SME to bank lending has been a hot issue for some time, leading to heated discussions between the banking sector and representatives of entrepreneurial associations. In general, Moroccan banks are widely regarded as extremely conservative in the appraisal of loan applications. Collateral requirements are also considered to be excessively stringent, and the usefulness of the credit guarantee schemes managed by CCG is sometimes called into question. Procedural aspects also pose problems.

Loan appraisal procedures often take an inordinate amount of time—measurable in months rather than weeks—and SME applicants are kept at bay with continuous requests for additional documents. Moreover, the intimate relationships between the largest financial institutions and a relatively small number of key players in the Moroccan economy generates the impression that “money always goes to the same people”, thereby depriving SMEs of the

⁵ In line with the standard terminology used in the venture capital industry, the early-stage is defined to include both the seed stage, which involves R&D activities and the initial development of the business concept, and the start-up stage, which involves product development and initial marketing efforts prior to full commercialization. For a review of the terminology, please refer to the ‘glossary’ section at the website of the European Venture Capital Association (www.evca.com).

necessary support. Regarding the ICT/ICTE sector, these problems are compounded by an aprioristic perception of a high risk profile. Bankers candidly admit that they have a limited knowledge of the realities of the ICT/ICTE sector, and this inevitably translates into a very cautious attitude. Difficulties in access to credit are also confirmed by the World Bank's "Doing Business" survey, which ranks Morocco among the worst economies regarding the 'getting credit' index⁶. In particular, the report points out that coverage of the credit information system is very limited, and that expansion of access to credit is not supported at the regulatory level.

While the overall situation is certainly less than ideal, signs of improvement have begun to emerge. An example is the memorandum of understanding signed at end of 2005 by the *Fédération des PME-PMI* and the banking association. While remaining fairly general in nature, the agreement does specify certain obligations for commercial banks, such as the requirement to provide a reply to loan applicants within a reasonable period of time. This memorandum could pave the way toward the emergence of a more constructive relationship. A more tangible signal of a new attitude toward SMEs is provided by the program *Nouveau Départ* (new beginning). The latter was recently launched by *Attijariwafa bank*, Morocco's largest commercial bank, in collaboration with the SME Development Agency and the CCG. The program is targeted toward SMEs with assets below US\$7 million. Its aim is to support the restructuring of enterprises active in the *secteurs sinistrés* (sectors in difficulty)—mainly the clothing industry. *Nouveau Départ* includes the provision of MLT financing—partly supported by the CCG—to restructure outstanding obligations, coupled with the provision of technical assistance, largely co-financed by the EU⁷. Another sign of the increased attention devoted by the banking sector to SMEs, is the active involvement of two leading banks—*Attijariwafa bank* and *Banque Populaire*—in the establishment of the *Réseau Maroc Entreprendre*. The latter initiative aims to support the establishment of new enterprises, through a package of non-secured lending and hands-on technical assistance (see above, Section III).

Issues in Accessing Equity Financing: As indicated in Section IV.3, the Moroccan venture capital industry is relatively well developed. There have been several professional operators active in the market

since the early 2000s, and those operators have a significant volume of resources available for investments. Moroccan venture capitalists do not generally seem to have a negative perception of the ICT/ICTE sector, and the main funds in operation have been involved to a varying degree in the financing of ICT/ICTE companies. Twelve investment deals—out of a total of 60—have been made in companies active in the ICT/ICTE sector. However, these deals mainly involve established companies, with investments typically being in the US\$1.5–3 million range. The main obstacle to the consideration and finalization of smaller deals has to do with transaction costs—the expenses associated with the preparation, negotiation and, especially, the monitoring of small investments are not appreciably lower than those for large deals. This inevitably pushes fund management companies toward larger investments, with US\$1.5 million being widely regarded as the minimum investment worth considering under current circumstances. All of the VCs interviewed mentioned the *faible ticket* problem as the main barrier to investments in SMEs—in ICT as well as in other sectors. That point was forcefully reiterated by participants in the conference held at the Casablanca Technopark in early February 2006⁸. Apart from this aspect, the overall environment appears to be reasonably conducive to equity investments in the ICT sector. Moroccan VCs have been relatively imaginative in devising financial instruments that are adapted to the specific nature of the deals at hand, using a combination of equity proper, convertible bonds, and subordinated loans—the *comptes courants associés*. Thus far, there is not much activity on the exit front, and the few exits realized have mainly involved trade sales or the selling back of shares to the investee companies. However, the presence of a reasonably well functioning stock exchange—by the end of 2005 the *Bourse de Casablanca* had reached a total capitalization of US\$25 billion—55% of GDP, with total annual transactions worth nearly US\$15 billion, and the fact that fund managers are already directly or indirectly active in stock trading, make the recourse to initial public offerings a feasible option.

⁶ Source: www.doingbusiness.org

⁷ More details on the *Nouveau Départ* program are accessible through *Attijariwafa bank's* website, at www.attijariwafabank.com.

⁸ In particular, the impact of transaction costs on the expected profitability of smaller investments was thoroughly analyzed by Ms. Isabelle Portebois, representative of CFG Capital. Ms. Portebois' presentation is available upon request.

III.3 FINANCING GAP – NATURE AND SEVERITY

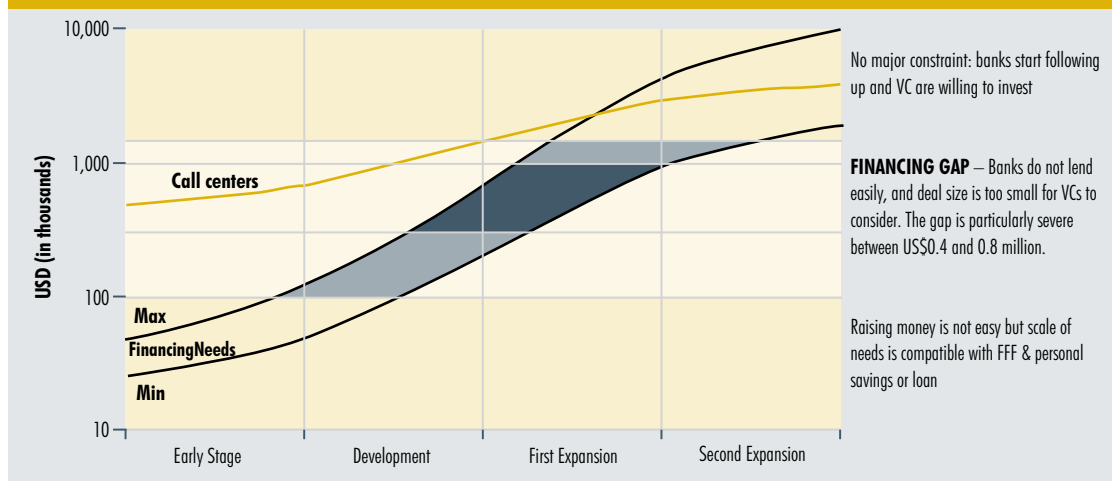
Overview: The available evidence does suggest the existence of a financing gap, in the sense that well-deserving ICT/ICTE operators have limited or no access to external financing. However, it should be highlighted from the beginning that this phenomenon cannot be ascribed to an “absolute” lack of funds in the Morocco’s financial system but, rather to the nature of the specific financing instruments currently available, and/or, to the operating modalities adopted by the various financial institutions. Constraints exist also on the demand side. To begin with, the interviews with ICT/ICTE enterprises revealed that in some cases the willingness to make efforts to cultivate a decent relationship with banks is limited. Sometimes this attitude appears to be the result of past bad experiences, but in certain cases, entrepreneurs are simply unwilling and/or unable to invest the time that is inevitably required to establish a working relationship with a banker. A similar attitude is also noticeable vis-à-vis the venture capital funds. Indeed, bold statements made by some interviewees regarding their willingness to open up the capital to outside investors did not appear entirely convincing, while other interviewees admitted that their expectations about the remuneration of equity financing were much lower, in our opinion, exceedingly lower, than those held by venture capital funds. Finally, in several cases there is very limited information about the various financial instruments available and/or on the specific nature of these instruments. For instance, one of the companies interviewed seemed totally unaware of the existence of export credit insurance mechanisms and that despite the fact that it had been operating in risky export markets for some years. In a similar vein, other ICT/ICTE entrepreneurs appeared to have limited information about the opportunities offered by factoring or about the possibility of accessing credit guarantees. Under these conditions, it is obvious that whatever financing gap exists, it cannot be entirely regarded as the fault of “bureaucratic” banks and “rapacious” venture capitalists.

ICT/ICTE Companies: A summary presentation of the financing gap faced by ICT/ICTE small companies in their various stages of development is provided in Figure 4.

As indicated in the figure above, financing constraints faced by ICT companies appear comparatively more severe in the development and first expansion phases, while the situation is more nuanced in other phases. In particular:

- Firms in the **early stage** obviously face difficulties in raising capital but the amounts required in the very beginning, around US\$20,000–40,000, appear broadly compatible with the recourse to the usual FFF channels. These informal financing sources can be complemented with a small personal loan, for which the decision making process appears reasonably streamlined. In Morocco, loans of up to MAD200,000 are often granted by the branch managers, without any need to report to the central loan department. In addition, firms in the early stage phase may have to opportunity of accessing one of the special programs designed to support newly established enterprises, such as those managed by the *R&D Maroc* or by the *Réseau Maroc Entreprise*. The amounts available are often small, typically US\$5,000–10,000, but they can usefully complement other sources. Another opportunity is offered by the “*Jeune Entreprise* window” managed by the CCG, which can provide loan guarantees up to US\$85,000. In a nutshell, for newly established enterprises life is certainly not easy, but solution to the financing problem can be found, although at the cost of considerable efforts and personal liabilities;
- The real problems start when financing is beyond US\$100,000 and approach US\$500,000–1,000,000. For many enterprises in the **development and first expansion stages**, the financing constraint can be really binding. Enterprises at these stages of development, are already in business, and trading profitably, but they do not have a sufficient track record to be accepted *prima facie* as a credible borrower by commercial banks. At the same time, the entrepreneurs are extremely busy with a variety of tasks, as they are “driving while inventing wheels”, and have little time and patience to carefully follow up contacts with their bank and, to shop around for alternatives. As for equity financing, the amounts sought by SME in their first and second expansion stages are usually too small to justify the costs of project appraisal, legal due diligence, and negotiations. Only *Fonds Sindibad* and, to smaller extent, *Upline*

Figure 4. Nature and Severity of Financing Gap



Technologies have shown an inclination for investing in small caps, while other operators have usually “steered clear of the small guys”. Under these conditions, ICT enterprises are forced to rely predominantly on self-financing, including sometimes the recourse to unorthodox practices, such as delaying the payment of social security and taxes. The inevitable result of such a situation is a slow down in the development process, which, in a fast moving business such as ICT, may ultimately jeopardizes the future chances of success;

- If and when an enterprise manages to reach the **second expansion stage**, with sales in the order of around US\$4–5 million, then conditions for accessing financing improve significantly. In certain cases, banks still wary of lending large sums to companies involved in a business that they do not understand well, especially if the business is to be developed in “risky” and far away places such as Senegal and Mauritania—“our bank has difficulties in following our internationalization drive”) but the volume of money flowing through the bank account is a powerful factor in mitigating this skepticism.

Much more importantly, investments deals in the order of US\$2–3 million can more easily attract the interest of venture capitalists. Indeed, the majority of ICT deals finalized by Moroccan venture capital funds in the ICT industry relate to enterprises in this stage of development.

Call Centers/BPO Services Operators: Call centers and other BPO operators do not seem to face particularly stringent financing constraints. These initiatives are normally launched either by well established companies, sometimes foreign-owned or with foreign participation, and/or by companies that already have contracts with foreign clients. Under these conditions, mobilizing initial or expansion capital does not pose insuperable problems. In addition, in Morocco call centers operators sometimes can count on supplier credit, due to the favorable terms offered by suppliers of equipment. Even when extraordinary resources need to be mobilized, as in the case of acquisitions, call centers do not seem to suffer from any major constraint. An example is the €1 million acquisition of *WEBCAD* by *Webhelp* that was financed by a pool of foreign banks.



IV. CONCLUSIONS AND RECOMMENDATIONS

Access to financing for Moroccan ICT/ICTE enterprises is not often easy, especially in the case of SMEs. However, conditions are not as difficult as in other emerging countries. The financial sector is fairly developed and diversified, the commercial banks are increasingly manifesting interest in SMEs, VCs have a strong presence, and the ICT/ICTE industry receives a substantial support from the Government. The study confirmed the existence of a financing gap for SMEs operating in the ICT/ICTE sector that seek a financing from US\$100,000 to US\$1.5 million. The lower end of the gap is somewhat mitigated by banks' lending schemes dedicated to SME. The operations of a couple of technology VCs also ease the severity of the issue for firms seeking less than US\$400,000 or above US\$1.0 million. Other government's or donor initiatives are of help in mobilizing funds for generic SME development or for specific projects in support of the ICT/ICTE industry. However, no initiative is specifically addressing the lack of financing in this sector, via direct lending or equity financing schemes.

A series of measures that could help in facilitating SME's access to financing have been identified. These measures, covering both the supply and demand side, are illustrated in this section. A common denominator of the proposed interventions is that they are aimed at improving the existing situation through measures of an incremental nature. A key element emerging from all contacts established during the fieldwork is that, whatever interventions are envisaged, they should aim at improving the current situation rather than embarking in overly ambitious plans for new structures. As nicely put it by one of our interlocutors, "*il ne faut pas reinventer la roue, il suffit d'améliorer le fonctionnement de ce qu'on a déjà*": "there is no need to reinvent the wheel,

it is enough to improve the functioning of the existing system". In this context, a series of relatively small even modest interventions aimed at complementing existing government initiatives or private schemes could achieve more lasting results than the launch of totally new schemes.

IV.1 MEASURES AIMED AT FACILITATING ACCESS TO EQUITY FINANCING

Among practitioners, there is a broad consensus that equity financing is particularly well suited to support the development of ICT/ICTE companies⁹. In the case of Morocco, the ICT sector has already benefited from a non negligible flow of investments from venture capital funds. However, these investments have mostly concerned large companies. In order to increase the volume of equity financing available to smaller companies, two measures can be envisaged: (i) the establishment of a mechanism aimed at alleviating the costs incurred by fund managers in the finalization of small deals; and (ii) the establishment or co-financing of a dedicated seed financing structure. These two possible measures are briefly illustrated below.

Alleviating Venture Capitalists' Operating Costs:

The transaction costs related to the preparation, the finalization and the monitoring of investment deals emerge as a key barrier to a greater involvement of existing venture capital funds in the financing of small ICT companies. These transaction costs can be roughly estimated at US\$25,000–30,000 per deal in the preparation, due diligence and negotiation phases, while another US\$25,000 would be required for the monitoring phase, assuming a five year investment period. Under these conditions, a mechanism could be envisaged whereby fund management companies could be reimbursed for at least part of the expenses incurred in the develop-

⁹ The theme of the most appropriate forms of financing for the ICT sector was analyzed in detail in the Phase 1 Report, in Section 4.

ment, the finalization and the monitoring of small equity investments. This reimbursement could take the form of a flat fee that would be payable for each investment made in ICT below a certain threshold, complementing the management fee normally received by fund managers. Payments to fund managers could be phased, in order to be linked to specific events in the investment process. For instance, the first tranche could be disbursed upon submission of an acquisition proposal to the investment committee; the second tranche could be released when the equity investment is actually disbursed, while the third one could occur in the post investment phase, to cover the monitoring costs. All the fund managers interviewed during the fieldwork showed interest for such a mechanism, subject to a better refinement of its terms and provided that it could operate in a flexible way, without placing an excessive administrative burden upon the fund managers. A fund manager said “it should not be like EU schemes, where you are asked, three years in advance, who is going to do a specific job”. The advantage of such a mechanism is twofold. On the one hand, a relatively modest investment, around US\$50,000 per investment deal—less than the cost of a small consulting assignment, would help mobilizing much greater amounts of institutional investor’s money, ensuring a very high multiplier effect. On the other hand, despite the presence of a subsidy element, the mechanism would not unduly impact on the incentive structure of the fund managers, the success fee being too small compared with the amounts to be invested. This would ensure that the assessment criteria would be based on sound business principles, with the specific investments assessed on a strictly commercial basis. As nicely presented by one of our interlocutors, “Nobody would be so foolish to invest half a million in a poor company just for the sake of cashing in US\$50,000”.

Support to the Establishment of Seed Financing Facility: Whatever the incentives provided to fund managers in order to encourage investments in small enterprises, it is not conceivable that “regular” Moroccan venture capitalists could ever consider investments of less than US\$500,000. Under these conditions, an opportunity arises to support the establishment of a seed capital facility specifically targeted at the ICT sector. Morocco’s only seed capital fund, the *Fonds Sindibad*, is currently largely invested and there are talks, reportedly involving the

CDG and institutional investors, for its replenishment or for the establishment of a new, similar facility. A capital contribution in the order of US\$2–3 million, could represent a meaningful participation in the new vehicle and, if supported by a program such as *infoDev*, could also greatly facilitate the fund raising process.

IV.2 MEASURES AIMED AT FACILITATING ACCESS TO BANK FINANCING

Despite the emphasis placed on equity financing, it is obvious that banks will continue to play a role in the financing of specific ICT initiatives. In this area, two possible measures appear worth considering: (i) the support to the establishment of a credit guarantee scheme, and (ii) the provision of direct assistance to small ICT firms in dealing with commercial banks. These two areas of intervention are briefly described below.

Assistance to the Establishment of a Credit

Guarantee Facility: One of the measures envisaged by the *Contrat Progrès 2006 – 2012* between the APEBI and the Government, relates to the establishment of a fund for the ICT sector, which includes a credit guarantee line. The fund will have an initial capacity of US\$ 12 million and would extend guarantees on the financing provided to ICT companies. Credit guarantees are not a novelty in Morocco, but there are signs that the operating modalities adopted by the existing facilities may not be fully in line with the intended objective of improving SME’s access to financing. As the details on the functioning of this scheme are not defined yet, technical assistance could be provided to help framing operational guidelines to reflect the lessons learned from similar successful experiences in other countries. The experience of some European countries where guarantee schemes have achieved important results, like Italy, but also Belgium, France and Spain, could be beneficial.

Provision of Direct Assistance to ICT/ICTE

Promoters: As mentioned in the previous sections, the problems in accessing loan financing cannot be blamed entirely upon banks. Promoters and small entrepreneurs are often unable to approach banks

in a proper way, to prepare business plans of acceptable quality and, more importantly, to defend the plans vis-à-vis loan officers of commercial banks. During the discussions with business associations, the idea of establishing a small facility to assist ICT companies in this area was aired. In practical terms, the facility could involve the recruitment of one or two consultants that could be made available to ICT firms to assist them in their endeavors with commercial banks. The consultants could operate under the umbrella of the business associations and/or in collaboration with the *Casablanca Technopark*. In case technical expertise was required for the preparation of business plans, entities such as the *R&D Maroc* could also be involved. Both the APEBI and the FPME seemed interested in being involved in such a mechanism. In order to ensure that the resources are employed efficiently, the facility could involve a mixed scheme for the remuneration of consultants, with a relatively modest amount to be paid per contact established, plus a success fee connected to the actual granting of financing. This scheme follows a relatively traditional model of technical assistance, but under the current conditions, it could have a non-negligible impact on the relationships with banks. In addition, the business associations or other entities participating in the scheme would also benefit from the scheme, as they would enhance their profile as providers of useful services to members.

IV.3 IMPROVING THE UNDERSTANDING OF THE ICT SECTOR

The volume and quality of analytical work on Morocco's ICT/ICTE industry is still limited. In the recent years, the ANRT has started the regular monitoring of market development in certain segments, through the establishment of the *observatoires*, while consulting firms have carried out studies on specific segments, like the study on call centers performed by CSC Peat Marwick and Capital Consulting, in 2004. In this context, the APEBI has proposed the establishment of a *centrale financière* for the ICT sector. The initiative aims at enhancing the understanding of the economics of ICT enterprises, in order to provide a more accurate basis for appraisal of financing proposals submitted to commercial banks and other financial institutions. It should be implemented in collaboration with OMPIC, the public body responsible for the collection and retrieval of financial accounts. APEBI financial and operational means are somewhat limited. During the fieldwork, its representatives showed a keen interest in receiving support for the launch of this initiative. The support could take the form of technical assistance for devising the structure of the database and preparing the first edition of the report, whereas subsequent editions could be implemented by APEBI with its own means.





ANNEXES



ANNEX A – THE ICT/ICTE SECTOR

A.1 TELECOMS

The telecom sub-sector includes three fixed line operators, two mobile operators, and specialized operators, such as VSAT and GPMCS operators. All these operators are subject to the issuance of licenses from the telecom regulator, the *Agence Nationale de Régulation des Télécoms* (ANRT).

The telecom business is largely dominated by the former monopolist, *Maroc Telecom*¹⁰. The company was established in 1998, through the corporatization of telecom operations of the *Office National des Postes et Télécommunications* (ONPT). In 2001, *Maroc Telecom* was privatized, with the sale of an initial 35% to France's *Vivendi Universal*. Vivendi's shareholding was later raised to 51% and, since 2004, *Maroc Telecom* is also listed in the Casablanca and Paris stock exchanges. Often referred to as the *opérateur historique*, *Maroc Telecom* is active in both fixed and mobile telephony.

In 2000, a second GSM license was awarded to *Méditel*, a joint venture grouping Spanish and Portuguese telecom operators and Moroccan institutional investors. In mid 2005, two new fixed telephony licenses were awarded to *Méditel* and *Maroc Connect*, a leading ISP. These operators are still in testing phase and are expected to start operations in 2006. The telephony services are provided by three VSAT operators, *Vsat Cime Com*, a subsidiary of Norway's *Telenor*, *Gulfsat Maghreb*, and *Space Com*, and two GPNCS operators, *Orbcomm Maghreb* and *Tesam Maroc*. These companies provide services to large institutional and corporate clients, ONA group, British Telecom, embassies, as well as to call centers. The salient features of the main telecom operators are provided in Table 1.

In Morocco, the mobile telephony market has witnessed a rapid growth, reaching 16 million subscribers in 2005, with a penetration rate of 53%. Pre paid cards largely dominate with 15.3 million subscribers, compared with less than 700,000 post-paid subscribers¹¹. By contrast, the fixed telephony is relatively undeveloped, with a declining penetration of only 4%. The 1.26

¹⁰ The official name is *Itissalat Al-Maghrib* (IAM).

¹¹ ANRT, *Mobile Observatory*, December 2006

TABLE 1. *Main Telecom Operators*

Operator	Line of Business (subscribers)	Comments
Maroc Telecom	<ul style="list-style-type: none"> ■ Fixed telephony (1.26 million) ■ Mobile telephony (10.7 million) 	Controlled by <i>Vivendi Universal</i> (51%), with the state still retaining a 34% blocking minority. Turnover of US\$2.0 billion in 2005, with a direct employment of 12,000 plus and an estimated 17,000 working in <i>téléboutiques</i> .
Méditel	<ul style="list-style-type: none"> ■ Mobile telephony (5.3 million) ■ Fixed telephony (not yet operational) 	Controlled by Spain's <i>Telefonica</i> and <i>Telecom Portugal</i> , also participated by local institutional investors. Established in 1999, when the second mobile phone license, at a record price of US\$1 billion was awarded. The fixed telephony license was awarded in 2005. <i>Méditel</i> has 700 employees
Wana Morocco	<ul style="list-style-type: none"> ■ Fixed telephony (not yet operational) 	Formerly known as Maroc Connect , Wana is Morocco's largest private Internet service provider. It was established in 1999. The fixed telephony license was awarded in 2005

million subscribers include household (64% of the total), enterprises (23%), and public phones (13%). The gap between the penetration of mobile and fixed-line telephony is among the highest in the world.

A.2 INTERNET SERVICES

At the end of 2006, there were 400,000 Internet subscribers in Morocco, with a 52% increase over 2004. After a relatively slow start, broadband is gaining ground rapidly, and ADSL connections account for nearly 97.8% of subscribers. This is one of the highest ratios worldwide. The total number of users is probably 4.5 million. The total number of **Internet Service Providers** (ISP) is not known. In the early days, up to 130 ISP might have been in operation, but the number appears to have quickly declined. A survey conducted, in 2002, by the ANRT identified only 20 ISP in operation¹². The dominant role is played by *Maroc Telecom*, which entered the Internet market in 1999, through the acquisition of 80% of *Casanet*, one of Morocco's pioneers in this business. In 2001, *Casanet* became a fully owned subsidiary of *Maroc Telecom*. Another important player in the Internet market is *Maroc Connect*, which recently entered the telecom market (see above). The Moroccan media make frequent references to the anti competitive practices adopted by *Maroc Telecom* in order to crush the competition¹³. In particular, criticisms have concentrated on the promotional packages, PC + software + ADSL subscription, offered at rebate prices that, not vertically integrated suppliers, have difficulties to match. In the past, some of these moves were sanctioned by the telecom regulator and had to be discontinued¹⁴. But there is a widespread feeling that Moroccan authorities have displayed a sort of benign neglect attitude vis-à-vis the commercial practices of the *opérateur historique*.

At the retail level, the connectivity services are provided by a large number of **cybercafés**. A study carried out by ANRT in 2002 identified 805 cybercafés countrywide. These were small operations, 60% had between 4 and 10 PC, with an average of 2.2 employees, only 9% of cybercafés had four or more employees, often providing other services, printing & scanning, word processing, sale

of IT equipment and/or software, and serving a small pool of clients, nearly 50% of cybercafés declared serving up to 20 clients per day. According to estimates in September 2004, their number increased to 2,000¹⁵, while more recent sources speak of 11,000 active cybercafés¹⁶.

A.3 ICT/ICTE ACTIVITIES

Sale and Installation of Hardware and Software:

According to the sector association, in Morocco there are 800 firms involved in the sale and installation of IT equipment and software. All the world leaders in the IT industry have some form of presence in Morocco, including *Alcatel*, *Dell*, *Fujitsu-Siemens*, *HP*, *Microsoft*. In addition to the international players, there are few large local companies, *CBI*, *Maroc Bureau*, *Distrisoft*, *Matel*, , mainly active as wholesale distributors, as well as host of very small commercial operations, involved in the provision of installation services. An unspecified number of companies are involved in manufacturing and assembling IT equipment and electronic components. In 2005, the value of export for this type of merchandise was of about US\$600 million. This sub-sector possibly employs 4,000–5,000 workers. In certain cases, the distinction between vendors of ICT products and enterprises specialized in the provision of IT services (see below) is somewhat blurred, as there is a general tendency to increase the value added to the sale of equipment/software. The PC penetration is still limited, with a total of about 1,000,000 PC in operation. However, the market is growing fast and the annual sales have increased from 68,000 units in 2000, to 120,000–140,000 in recent years. *HP* is the leading brand, with a 30% market share, while clones assembled locally account for an estimated 50% of the market. Recently, the leading assembler, *Accent Computer*, has considerably expanded its distribution network.

¹² ANRT, *Enquête après des prestataires du service Internet – Résultats*, May 22, 2002.

¹³ See the interview with *Maroc Connect's* CEO published in *Le Journal Hebdomadaire*, May 13–19, 2004.

¹⁴ This was the case of the promotional initiative *Famille et amis* in 2002.

¹⁵ ANRT, *Régulation du marché Internet au Maroc: État des lieux et Perspectives de Développement*, March 2005

¹⁶ Source: *L'Economiste*, February 14, 2007, www.leconomiste.com

TABLE 2. *Selected IT Companies*

Company	Size	Comments
S2M	<ul style="list-style-type: none"> ■ Sales: US\$10 million (estimate) ■ Staff: over 100 (estimate) 	Established in 1983, the company is part of COFIMAG, one of Morocco's leading private groups, also active in call centers. S2M is a pioneer in the development of credit card applications and other payment solutions. Clients include 100 banks in about 20 countries.
Hightech Payment Systems (HPS)	<ul style="list-style-type: none"> ■ Sales: over US\$10 million ■ Staff: 100+ 	Established in 1995, by a group of IT professionals. The company specializes in the development of integrated payment solutions, ATM, POS, e-commerce,. Clients include 150 financial institutions and other large customers, supermarket chains, telecom operators, in over 40 countries. Recently established a subsidiary in Dubai.
M2M	<ul style="list-style-type: none"> ■ Sales: n.a. (but probably US\$15 million) ■ Staff: 135 	Established in 1990, by three IT professionals, the company is a leading provider of e-transactions, working for financial institutions, telecom companies, and industrial groups. Since 2000, it has established commercial subsidiaries in France, Lebanon and the USA.
Involys	<ul style="list-style-type: none"> ■ Sales: n.a. ■ Staff: 50+ 	Established in 1986, under the name of <i>Batisosf</i> . The company specializes in the development of software solutions for the construction and real estate industries. Active in North Africa, France and Canada.
Cap'Info Groupe	<ul style="list-style-type: none"> ■ Sales: n.a. ■ Staff: 200+ 	Established in 1992, is part of the <i>Saham</i> group. The group includes four entities active in various niche markets, like software development for insurance companies. Clients include large companies and institutions in Morocco, North and West Africa.
Sigmatel	<ul style="list-style-type: none"> ■ Sales: n.a. ■ Staff: 100+ 	Established in 1991, it is active in the distribution and installation of telecom systems, voice and data. Currently the main supplier of integrated solutions for the growing call center industry.
Omnidata	<ul style="list-style-type: none"> ■ Sales: US\$6–7 million ■ Staff: 105 	Established in 1989, it was the first distributor of Oracle products in Morocco. Currently specialized in the integration of ERP systems. Over 300 projects completed, with clients in all sectors in Morocco and other African & Middle Eastern countries.

The market for software applications still suffers from widespread piracy, although the situation appears to have improved significantly.

Software Development and IT Consulting: This sub-sector includes 200 *sociétés de services d'ingénierie en informatique* (SSII), with a total estimated turnover of US\$200–250 million. Available information suggests the presence of a small number, probably not more than 20–25, of large and medium sized companies, with sales above US\$5 million and more than 40–50 employees, along with a host of small and micro enterprises, many of them employing less than 5 employees. A summary of some of the leading firms is presented in Table 2.

Moroccan SSII are particularly strong in the development of integrated payment solutions and, at least three local companies, *HPS*, *M2M*, and *S2M*, have become significant world wide players in

this segment, with clients in several countries. Smaller IT companies concentrate in the development of business software solutions adapted to the local SME market, including web applications. In addition, a certain number of small IT firms are active in the outsourcing market, developing software for foreign clients, especially from France. The phenomenon is reportedly on the rise, and, according to certain sources, off shoring accounts for up to 20% of the turnover of some IT firms¹⁷. Examples of small firms active in a wide range of fields are provided in Box 1.

¹⁷ The IT outsourcing phenomenon is briefly reviewed in Tandia Anthioumane and Mar Bassine Ndiaye, "L'afflux des SSII françaises", *La Gazette du Maroc*, January 9, 2006.

BOX 1 EXAMPLES OF SMALL ICT/ICTE FIRMS

Moroccan ICT/ICTE small firms are active in a wide range of fields. Some examples include:

- *Dyna Soft*, involved in the design and commercialization of e-business applications, such as an accounting software developed in collaboration with local *experts comptables*;
- *Mughamrat*, involved in the development of software packages in Arabic language;
- *Willnet*, active in the development of web applications based on open source software;
- *Dial Technologies*, operating a portal and active in the enhanced messaging business;
- *Argaze*, active in web designing and IT outsourcing;
- *Webcity*, involved in web designing, especially for the tourism industry;
- *Fusion*, active in web designing and web hosting, and with recent initiatives in SMS applications for business;
- *Success Technology*, involved in network architecture and e-security.

A.4 CALL CENTERS AND BPO SERVICES

The development of the call center business in Morocco is a recent phenomenon. The first operations were established in 2000/2001 but it was during the 2003–2005 period that the sector developed at a fast pace, with 15 new centers established every year. At present, the Moroccan call center industry includes 150 operators, with an estimated total turnover of US\$200–250 million and a workforce of approximately 25,000. The industry includes some in house, or “captive”, call centers such as those operated by *Dell* and *Telefonica*, and a number of specialists in outsourcing. These include several European operators, mostly from France, as well as locally owned companies. In recent years, some locally owned companies, like *Phone Assistance*, *WEBCAD*, *Delta Call*, have been taken over by foreign companies, but new initiatives are still emerging. A summary of selected operators is provided in Table 3.

The range of services offered by call centers based in Morocco is increasingly diversified, including telemarketing, help desk services, implementation of customer satisfaction surveys, and technical assistance for IT suppliers. Export sales account for 90% of the total, but the domestic market is growing, driven by the development of telecoms and financial activities. Services provided by Moroccan

call centers are sold at prices ranging from US\$12 to 18/hour per workstation.

Morocco is currently the main outsourcing market for France and other French-speaking countries, followed at significant distance by Tunisia, Mauritius, Senegal, and Romania. Morocco's leading position is due to a combination of favorable factors, including the availability of abundant, qualified and inexpensive labor, wages are in the order of US\$300–400/month for a working week of 48 hours, a good level of infrastructure, and a geographical proximity, which facilitate contacts with European clients, most West European cities are only two to three hours away from Casablanca, and there are frequent and inexpensive flight connections. The development of the call center industry is actively supported by the telecom operators, *Maroc Telecom* is offering significant discounts on standard rates and ensures the required connections within a short period of time, and suppliers of equipment, *Alcatel* has created a special unit to monitor this market segment. Moroccan authorities are also paying increasing attention to the call centers industry, with a series of new initiatives, from the launch of dedicated training courses to the high profile Casa Shore project (see below, Section III). It is based on such a range of positive factors that most observers anticipate further significant growth in the industry, with expectations of 50,000 to 100,000 new jobs by the end of the decade.

TABLE 3. *Selected Call Center Operators*

Company	Workstations (Locations)	Comments
Phone Assistance	1,500 Casablanca	Initially established by domestic investor, <i>Saham</i> group, now majority controlled by <i>Arvato Services</i> , <i>Bertelsmann</i> group. The third largest call center company in Africa, serving a variety of clients in French speaking countries.
Atento Marueccos	1,150 Casablanca,	Subsidiary of <i>Téléfonica</i> , specialized in outsourcing, active in Morocco since 2000. Mainly working for the local, French and Spanish markets. Clients include <i>Médiate</i> , <i>Maroc Connect</i> , <i>Royal Air Maroc</i> , <i>BMCE</i> , <i>Thompson</i> , Turnover of about €12 million.
Webhelp	Tetouan and Rabat 700 Rabat	French company specialized in off shoring, also present in Romania. Active in Morocco since 2001, initially a joint venture with local investors who were later bought out with a €1 million transaction. Over 40 clients, including <i>Orange</i> , <i>SFR</i> , <i>Tiscali</i> , <i>L'Oréal</i> , <i>La Poste</i> , <i>Wanadoo</i> .
CRM Value	600 Rabat	A French-Moroccan joint venture, active since 2003. Serving a variety of clients in the French, Belgian and Swiss markets from two centers. Turnover around €6 million.
Euro Call	500 Casablanca	Part of the <i>COFIMAG</i> , a leading Moroccan group. The company is reportedly providing services primarily to AOL.
Delta Call	350 Casablanca	Initially part of the <i>COFIMAG</i> group, in 2003 was purchased by <i>SITEL</i> , a US off shoring specialist company at a cost of €750,000. Clients include some telecom operators and <i>HP</i> , technical assistance for the European market.
Transcom Maroc	300 Casablanca	Subsidiary of the Swedish group <i>Kinnevik</i> . Operational since 2001, provides services to the <i>Office National des Chemins de Fer</i> and a variety of European clients.
Odiencia	300 Mohammedia	Moroccan company, active since 2003. Provides telemarketing and related services to large companies, <i>IBM</i> , <i>Carrefour</i> , as well as basic phone answering services to local SME.
Outsourcia	150 Casablanca	A French-Moroccan joint venture, active in Morocco since early 2003. Specialized in high value added, technically oriented services for the IT industry. Clients include <i>IBM</i> , <i>Symantec</i> , <i>Citrix</i> , <i>Sun Microsystems</i> , <i>Bull</i> .
B2S Maroc	150 Casablanca	Subsidiary of a French company specialized in outsourcing, with a dozen centers in France. Active in Morocco since 2004, following the down sizing of operations in France, with ensuing episodes of social unrest. Clients include French telecom, banking and industrial groups.
Accolade	100 Casablanca	French-Moroccan joint venture, active since 2004. Specialized in telemarketing and help desk activities, also provides consulting and web development services.
Nest Call Center	100 Rabat	Subsidiary of the French outsourcing company <i>Teletch International</i> . Active in Morocco since 2001.



ANNEX B – THE INSTITUTIONAL SETTING

B.1 PUBLIC ENTITIES

Département de la Poste, des Télécommunications et des Technologies de l'Information¹⁸: The *Département de la Poste, des Télécommunications et des Technologies de l'Information* (DPTTI) is the government entity primarily responsible for the formulation and implementation of the national ICT policy. DPTTI is part of MAEG, which in turn is placed under the authority of the Prime Minister. In the past this responsibility had been entrusted to an independent secretariat and the transfer of responsibility to a lower level organizational entity has been sometimes interpreted as a lessening of the attention paid to the ICT sector by Government authorities.

Agence Nationale de Régulation des Télécoms¹⁹: Established in February 1998, the *Agence Nationale de Régulation des Télécoms* (ANRT) is the body responsible for the regulation of the telecom sector. Its mandate covers a broad range of activities, from the issuing licenses to the tariffs setting for inter connection, and from the sanctioning of anticompetitive behavior to the issuing of technical parameters for certain types equipment. The ANRT is also collecting and disseminating information on market developments, through the publication of regular surveys on the telephony and Internet markets, and the *observatoires*. Over the last few years, the ANRT has attracted the criticism of operators for what has been regarded as a “protective attitude” towards *Maroc Telecom*, and a more proactive stance in promoting an effective competition in the telecom and Internet markets has been frequently invoked.

Centre Marocain des Technologies de

l'Information et de la Communication pour les

Entreprises: The *Centre Marocain des Technologies de l'Information et de la Communication pour les Entreprises* (CETIC) was established in July 2004 upon initiative of the Ministry of Commerce and Industry, with the mandate of promotion the adoption of information and communication technologies by Moroccan SME. Formally structured as a not for profit organization, CETIC has a board comprised of representatives of private and public entities active in the development of SME and/or in the promotion of ICT. Chairmanship has been entrusted to APEBI. Due to a fairly long gestation period, CETIC's activities appears still limited and only in November 2005 a first workshop on ICT and international competitiveness was organized.

B.2 PRIVATE ENTITIES

Association des Professionnels de Technologies de

l'Information²⁰: The *Association des Professionnels de Technologies de l'Information* (APEBI) was established in 1998. APEBI is the evolution of the previous *Association de l'Informatique, de la Bureautique et de la Télématicque*, established in 1989 to represent the interests of the office equipment industry at large. At present, APEBI regroups 120 enterprises, ranging from the import and sale of hardware and software to IT companies and telecom operators. APEBI claims to represent nearly 90% of the ICT sector but its membership appears skewed towards large players, mainly in the sale and installation business. Only recently, the membership of small enterprises, the so called *très petites entreprises*, with up to five employees, was authorized, during the annual meeting held at end 2005. APEBI

¹⁸ For more information, please refer to the DPTTI's website www.septi.gov.ma.

¹⁹ For more information, please refer to the ANRT's website, www.anrt.nef.ma.

²⁰ For more information, please refer to APEBI's website, www.apebi.org.ma.

is managed by a board comprised of representatives of all main ICT companies. Day to day activities are entrusted to a small secretariat. APEBI is very active in promoting the development of the ICT sector, mainly through extensive lobbying. An example is the *Contrat Progrès* negotiated with the Government. This can be regarded as a road map for the development of the ICT industry in the medium term.

Fédération des PME-PMI²¹: Established during the 1990s, the *Fédération des PME-PMI* (FPME) represents the interests of Morocco's small and medium enterprises. Despite its generalist character, in recent times the FPME has been paying significant attention to ICT-related issues. The theme of the information economy figured prominently among those discussed during the last SME Conference, the *assises de la PME*, held in November 2005. As part of its efforts to promote the adoption of innovative technologies by small enterprises, the FPME is a promoter and active member of the CETIC. The FPME is also very active in the area of enterprise financing and has been constantly lobbying the Government and the banking sector to devise ways for facilitating SME's access to financing. The most recent initiative in this area is the signing of a memorandum of understanding with the banking association, covering various aspects of bank lending to SME.

R&D Maroc²²: Established in 1997, *R&D Maroc* is a non-profit organization promoting technology and innovation in the enterprises. The membership includes 40 public entities, financial institutions,

private companies, and business associations. *R&D Maroc* is the sponsor of INNOVA, a bi-annual innovation exhibition. It is also responsible for the organization of the *concours national de l'innovation* (national innovation competition), which, in 2005, reached its fourth edition. The association is involved in the implementation of enterprises creation activities, such as a recent program funded by GTZ and IFC in support of innovative firms. *R&D Maroc's* managing director, M. Mohamed Smani, is a widely respected figure, well known in scientific and business circles. In 2005, he became the first Moroccan scientist to be appointed as a member of the *Académie française des technologies*.

Réseau Maroc Entreprendre²³: Established in early 2005, the *Réseau Maroc Entreprendre* (RME) is a non profit association created by a group of leading private companies and financial institutions to support newly established SME in their initial endeavors. Modeled after its French precursor, the *Réseau France Entreprise*, RME provides soft loans, in the order of US\$ 5–10,000, coupled with hands-on management assistance offered by member companies on a voluntary basis. The first call for proposals, launched at end 2005, attracted 450 applications. Twenty SME, including 3 in the ICT sector, were retained, and are currently supported by RME.

²¹ For more information, please refer to the FPME's website www.fpme.ma.

²² For more information, please refer to R&D Maroc's website www.rdmoroc.org.ma (currently not operational).

²³ For more information, please refer to the RME's website www.maroc-entreprendre.ma.

ANNEX C – THE FINANCIAL SECTOR

C.1 BANKING AND RELATED ACTIVITIES

At present, the main banks include the *Credit Populaire du Maroc* (CPM), *Attijariwafa bank*, *Banque Marocaine du Commerce Extérieur* (BMCE), *Banque Marocaine pour le Commerce et l'Industrie* (BMCI), and *Société Générale Marocaine des Banques* (SGMB). A summary presentation of the main banks is provided in Table 4 below.

Leasing and Factoring: As many other emerging countries, over the last few years Morocco has witnessed a significant growth in leasing. The volume of leasing operations reached a total of US\$ 1.6 billion at the end of 2004, up from 900 million at the end of 2000. Leasing is carried out by 8 companies, mostly subsidiaries of commercial banks. Factoring is still relatively undeveloped, with only a couple of specialized companies involved in this line of business, *Attijari Factoring* and *Maroc Factoring*, part of BMCE group. The total factoring turnover is estimate at US\$ 300 million, of which US\$ 50 million for foreign transactions.

TABLE 4. *Salient Features of Main Banks*

Bank	Total Assets (US\$ Million)	Comments
Attijariwafa bank	111	The result of the consolidation of <i>Banque Commerciale du Maroc</i> , privatized in 1994, with the private <i>Wafabank</i> . Controlled by ONA, Morocco's largest private group, and several insurance companies. It has the participation of foreign banks, <i>Unicredito</i> , <i>Grupo Santander</i> . Listed in the Casablanca stock exchange.
Credit Populaire du Maroc	107	Includes 11 regional people's banks and their apex organization, <i>Banque Centrale Populaire</i> (BCP). Formerly state-owned, BCP is listed in the Casablanca stock exchange. The state's shareholding has now declined under 50%, with another round of privatization expected in 2006.
Banque Marocaine du Commerce Extérieur	65	Established by the state in 1959 and privatized in 1994. Very active internationally, especially in North Africa and Sub-Saharan countries. Controlled by Moroccan investors, with the participation of foreign banks, <i>Crédit Industriel et Commercial</i> with 10%. Listed in the Casablanca stock exchange.
Banque Marocaine pour le Commerce et l'Industrie	32	Established in 1964 and controlled by <i>BNP Paribas</i> , which holds 65% of the capital. In 2001, took over the operations of <i>ABN Amro Bank</i> in Morocco. Listed in the Casablanca stock exchange.
Société Générale Marocaine des Banques	28	Established in 1962. Controlled by France's <i>Société Générale</i> .
Crédit du Maroc	24	Established in 1929. Formerly owned by <i>Crédit Lyonnais</i> , and currently controlled by <i>Crédit Agricole</i> , but with a significant shareholding of <i>Attijariwafa bank</i> . Listed in the Casablanca stock exchange.

C.2 VENTURE CAPITAL

Main Operators: There are 15 entities involved in equity financing in Morocco, including the subsidiaries of commercial banks, like *Attijari Invest*, *Crédit du Maroc Capital*, and quasi official entities, like *ASMA Invest* or *Faisal Finance*. However, the bulk of investment is done by a half of a dozen funds. A summary description of these operators is provided in Table 5 below.

Salient Features: The salient features of Morocco's private equity industry can be summarized as follows:

- **Origin of Funds:** The Moroccan private equity industry is still largely dependent upon funds provided by international investors, which account for 50% of the total available resources. IFI and bilateral development finance institutions play a significant role: EIB and Proparco have invested in four funds, IFC in two, while SECO, FMO, BIO and COFIDES have invested in one fund each. Among Moroccan investors, a key role is played by the *Caisse de Dépôts et Gestion* (CDG – see below), which has invested in four funds. BCP is now the leading participant in *Moussahama*, while insurance companies and banks are have invested in the other funds;
- **Investment Policy:** In the early days, deals were mainly focused on small enterprises and indeed the average size of investments made by *Moussahama* in the 1990s was MAD 5.7 million, under US\$ 600,000 at the then prevailing exchange rate. Overtime, the average size of deals has increased and most equity investors target transactions of US\$ 1.5–3 million. The *Fonds Sindibad* is an exception, as it focuses on deals in the US\$ 100–400,000 range;
- **Operating Modalities:** Most funds associate equity investments with quasi equity financing, sometimes in the form of convertible bonds. In certain cases, when the issuance of bonds poses

TABLE 5. *Salient Features of Main Equity Financing Operators*

Fund	Funding (US\$ mn)	Deals	Comments
<i>Moussahama</i>	14	24	Operational since 1993, <i>Moussahama</i> is the first equity fund established in Morocco. Funded by BCP, which contributed 59% of capital, along with EIB, Proparco and Spain's COFIDES. Largely invested, with total commitments in the order of US\$ 16 million, more recent deals in the US\$1–2 million range.
<i>Capital Morocco</i>	25	~12	Operational since 2000. Funding provided by BMCE, international financial institutions and institutional investors. Fully invested with an average investment of US\$ 2 million. In early 2006 announced the launch of a second fund, <i>Capital North Africa Fund</i> , with a capital of US\$ 35 million.
<i>Accès Capital Atlantique</i>	30	~6	Established in 2000, as a joint venture between CDG and <i>Caisse de Dépôts et de Placement du Québec</i> (CDP), later replaced by Moroccan institutional investors. Partially invested, with average investments of US\$ 1.5–2 million.
<i>Maghreb Private Equity Fund</i>	23.2	~8	Established in 2000. Managed by <i>MaroInvest</i> , a joint venture between TFG, a French venture capital firm owned by SIPAREX, and the <i>Upline Group</i> . Funding provided by international investors, <i>Averroès Finance</i> , IFC, EIB, <i>Natexis Group</i> . Partially invested.
<i>CFG D Développement</i>	20	8	Established in 1999. The fund is managed by the CFG Group, a leading Moroccan investment bank, with funds provided by local investors and the EIB. Largely invested, with deals averaging US\$ 2–2.5 million. A second fund will be launched in 2006, <i>CFG Développement II</i> , US\$ 25 million.
<i>Upline Technologies</i>	5	4	Established in 2000, the only investment fund targeted at the ITC sector. Funding provided by the <i>Upline Group</i> , CDG, Proparco and institutional investors. Largely invested, with deals in the US\$ 0.5–2 million range.
<i>Fonds Sindibad</i>	5	~10	Operational since 2003, <i>Fonds Sindibad</i> is Morocco's first seed capital fund. Funded by CDG and other national and institutional investors, EIB, Proparco, <i>Maroc Telecom</i> . Nearly fully invested, a second fund is reportedly in preparation.

problems, other financing devices are used, *comptes courants d'associé* and, more rarely, *prêts participatifs*. Fund managers typically enhance their revenue by charging investee companies with deal closing fees and/or during the monitoring phase;

- **Performance:** Performance is still difficult to assess, primarily because of the young age of most funds. Some of the early investments have run into trouble and, reportedly, *Moussahana* was forced to make significant provisions against losses or write off some investments. According to a study carried out by CDG, in 2003, there had been 6 exits and 7 failures out of a total of 60 investments. The exits were mainly to other partners, with only one trade sale and one IPO. Since then, the situation does not seem to have changed much. In recent times, four funds were involved in the joint financing for a total of US\$ 8.5 million, the largest private equity operation to date, of a French-owned company that ran into troubles shortly after the investment was finalized. However, this unfortunate event does not seem to have a major impact on equity funds.

C.3 OTHER FINANCIAL INSTITUTIONS

Caisse Centrale de Garantie²⁴: The *Caisse Centrale de Garantie* (CCG) is a public institution placed under the control of the Ministry of Finance. Established in 1974, CCG is responsible for the management of several credit guarantee schemes, aimed at facilitating access to bank financing. In addition, CCG manages internationally or government funded credit lines, aimed at supporting industrial restructuring, the *mise à niveau*, in various sectors. Guarantees issued by CCG may cover investment operations, export transactions or debt

restructuring, up to 50% of the borrowed amount. CCG also operates a special program providing guarantees to newly established SME, the *Fonds de garantie des prêts à la création de la Jeune Entreprise* or the “*Jeune Entreprise* window”, which extends guarantees up to 85% of the amount borrowed. In 2004, CCG approved 337 guarantees, for a total amount of US\$ 40 million. In general, CCG’s guarantee operations appear to be guided by very conservative principles which has attracted the criticism of the business circles. The volume of financing under the *mise à niveau* schemes is also limited, although in this case the problem seems to be mainly with the “demand side”, with a limited number of applications.

Caisse de Dépôts et Gestion²⁵: The *Caisse de Dépôts et Gestion* (CDG) is a state-owned, non-bank financial institution. With US\$ 4.5 billion of total assets, the CDG plays an important role in the Morocco’s financial system, through the management of pension fund assets, the participation in national development projects, and the management of public ownership interests in various companies. CDG is also a shareholder in four equity financing funds: *Fonds Sindibad*, *Upline Technologies*, and *Accès Capital Atlantique*. CDG is currently heavily involved in the restructuring of remaining state-owned banks, within the framework of World Bank’s “Financial Sector Development Policy Loan”, approved in November 2005. With reference to the ICT sector, the CDG is expected to play a major role in the financing of the Casa Shore project, aimed at attracting the relocation of call centers and BPO services in Morocco (see above).

²⁴ For more information, please refer to the CCG’s website, www.ccg.ma.

²⁵ For more information, please refer to the CDG’s website, <http://www.cdg.ma/>.



ANNEX D – LIST OF ENTITIES INTERVIEWED

D.1 PUBLIC ENTITIES AND BUSINESS ASSOCIATIONS

Agence Nationale de Réglementation des Télécommunications

- Mr. Mohamed El Kadiri, Directeur Technique
- Mr. Rachid Sefrioui, Secrétaire Général

Prime Minister's Office

- Mr. Aziz Rabbah, Chargé de mission auprès du Premier Ministre – Conseiller en TIC du Ministre des Affaires Economiques et Générales

Fédération des PME/PMI – CGEM

- Mr. Hammal Kassal, Président
- Mr. Mohammed Yahya Zniber, Vice-Président

Réseau Maroc Entreprendre

- Mr. Hicham Smad, Directeur

Association R&D Maroc

- Mr. Mohamed Smani, Directeur

APEBI – Association des Professionnels des Technologies de l'Information

- Mr. Jamal Benhamou, Directeur

D.2 FINANCIAL INSTITUTIONS

Attijariwafa Bank

- Mr. Talal El Bellaj, Directeur Pole Entreprises

Moussahama

- Mr. Chihab El Adlouni, Directeur Général
- Mr. Abdelhamid Hajry, Chargé d'Affaires

Fonds Sindibad

- Mr. Mohamed Bouatou, Directeur Général

Upline Group

- Mr. Abdel Latif, Partner

Capital Invest

- Mr. Mehdi Tahiri, Directeur Général

CFG Développement

- Ms. Isabelle Portebois – Benjelloun, Directeur Général

D.3 ENTREPRISES

Hightech Payment Systems

- Mr. Nacer Amraoui, Account Manager
- Mr. Samir Lamrissi, Sales & Marketing

FirstMile Telekom

- Mr. Aziz Bouabe, Président Directeur Général

Willnet & Associates

- Mr. Hassan Belouah, Directeur Général

E-Consulting

- Ms. Saida Fakiri, Directrice Associée

Maroc Traitement de Transaction – M2t

- Mr. Mourad Mekouar, Chief Executive Officer

Fusion

- Mr. Adel Mokhtari, Directeur Général

Maroc Cybercafé – El-Jadida

- Mr. Lehsen Makri, Owner

Intelia

- Mr. Siham Mezzour, Directeur Général

Mobiphone

- Mr. Ahmed Faisal, Directeur Général

Success Technology

- Mr. Khalid Karraz, Directeur Général

Webcity

- Mr. Hamid Lakhdar, Directeur Général

ANNEX E – PROFILES OF SME FINANCING ORGANIZATIONS

PROFILE #1 . CAPITAL MOROCCO

Salient Features

<i>Denomination</i>	Capital Morocco
<i>Nature</i>	Capital Morocco is a generalist venture capital fund, targeted at medium sized companies. The fund is managed by Capital Invest, a joint venture between (i) BMCE Capital, the investment banking arm of BMCE, one of Morocco's leading commercial banks (85%), and (ii) the French venture capital firm SIPAREX (15%).
<i>Location</i>	Capital Morocco is incorporated in Jersey for tax avoidance purposes while Capital Invest is based in Casablanca.
<i>Geographical Coverage</i>	Capital Morocco operates in Morocco.
<i>Establishment</i>	Capital Morocco was established in 2000.
<i>Funding</i>	With a capital of MAD 250 million, Capital Morocco was funded by a group of national and international financial institutions, BMCE, Al Watanya, Royal Maroc d'Assurances, EIB, Proparco, with individual shares in the order of 8–12%.
<i>Investment Policy</i>	Capital Morocco is involved in development capital operations, without any specific sector orientation. Capital Morocco is primarily aimed at medium sized enterprises, with turnover in excess of MAD 50–100 million. Investments in smaller companies are considered on a case by case basis. Historically, investments made by Capital Morocco have been from MAD 10 to 25 million, with only a couple of deals below MAD 10 million. Deals involve equity financing, convertible bonds and, more rarely, loans, <i>comptes courants d'associés</i> .
<i>Operations</i>	Capital Morocco is now fully invested with a dozen operations. Three investments are in the ICT/ICTE sector broadly defined, Galaxy Electronics, a distributor of mobile phones and consumer electronics goods, MAD 6 million, DISTRISOFT, a distributor of IT and telecom products, MAD 15 million, and M2M, a leading developer of software for payment systems, MAD 20 million.

Narrative Description

- Capital Invest is *de facto* the private equity arm of the BMCE group. The same team, under the name of Actif Invest, is responsible for the management of Actif Capital 1, Morocco's first real estate investment fund. Established in 2004, Actif Capital has a capital of MAD 300 million, with the possibility of further increasing it to MAD 800 million. Shareholders include mainly insurance companies, such as MAMDA-MCDA, RMA Watanya, SCR, a subsidiary of CDG.
- At the end of 2005 Capital Invest announced the launch of the Capital North Africa Fund (CNAF). With a capital of MAD 350 million provided by institutional investors and development financial institutions, EIB, FMO, SECO, BIO, CNAF will be operating primarily in Morocco, with the possibility of investing up to 30% in other countries, mainly Tunisia and Algeria. CNAF is supposed to target primarily LBO deals, with an average investment of MAD 15–20 million and a preferred time horizon of 4 years.
- At the end of 2005 Capital Invest was also supposed to launch a second generalist fund, Capital Morocco 2. However, this initiative seems to have been, at least temporarily, superseded by the launch of CNAF.
- In addition, Capital Invest is considering the launch in 2006–2007 of a fund aimed at financing ICTE off shoring activities, call centers. The fund could have a size of US\$/€ 10 million, and could target investments in the order of 1–2 million.

Sources

- www.capitalinvest.co.ma

PROFILE #2. FONDS SINDIBAD

Salient Features

<i>Denomination</i>	Fonds Sindibad
<i>Nature</i>	Fonds Sindibad is a seed capital fund, aimed at supporting innovative SME.
<i>Location</i>	Fonds Sindibad is based in Casablanca, hosted by the Casablanca Technopark
<i>Geographical Coverage</i>	Fonds Sindibad operates in Morocco
<i>Establishment</i>	Fonds Sindibad was established in November 2002 and started its operations in March 2003
<i>Funding</i>	Fonds Sindibad was established with an initial funding of MAD 48 million. However, 50% of this amount was intended to cover operating expenses, leaving a total of MAD 24 million for investment operations. Funds were provided by a group of Moroccan and international investors, including: (i) the state-owned development finance institution CDG, (ii) Maroc Telecom, (iii) Morocco's leading private group ONA, (iv) France's CDC PME, and (v) the European Investment Bank.
<i>Investment Policy</i>	Fonds Sindibad is Morocco's first seed capital fund, specifically targeting innovative and newly established enterprises, such as entities that are in the process of being formed or that have been in operation for less than 2 years. Fonds Sindibad is definitely oriented towards small enterprises: the maximum investment cannot exceed MAD 4 million (US\$ 400,000), with a shareholding of 35–40%.
<i>Operations</i>	Out of the 50–60 investment opportunities considered, at the end of 2005 Fonds Sindibad had invested in 5 companies, with 2 more investments expected to take place in early 2006. Investee companies include at least one ICT company, <i>Lead Tech Design</i> , subsidiary of a French company specialized in software development, which received a MAD 3.5 million financing.

Narrative Description

- Fonds Sindibad is registered as a *société anonyme*, joint stock company, combining the functions of the fund proper and of the management company. A second version of Fonds Sindibad is under preparation, with CDG providing the bulk of the financing. If implemented, this would involve a separation between the fund proper and the fund management company.
- During the feasibility and initial operational stages, the fund benefited from the support of SIPAREX, on contract with CDG
- *Vivendi Universal*, one of Fonds Sindibad's shareholders through *Maroc Telecom*, is also considering the establishment of a seed capital fund.

Sources

- www.fondssindibad.co.ma (not operational)

PROFILE #3. *MAGHREB Private Equity Fund*

Salient Features

<i>Denomination</i>	Maghreb Private Equity Fund (MPEF)
<i>Nature</i>	MPEF is private equity fund, active in Morocco and in the Maghreb. MPEF is managed by MaroInvest, a joint venture between Tuninvest Finance Group (TFG), a venture capital fund owned by SIPAREX, and the Upline Group, a well established Moroccan brokerage company, also active in private equity.
<i>Location</i>	MPEF and MaroInvest are both based in Casablanca
<i>Geographical Coverage</i>	The main country of operation is Morocco, with 70% of MPEF resources. The 30% remaining is tentatively earmarked for investments in Algeria and Tunisia.
<i>Establishment</i>	MPEF was established in 2000.
<i>Funding</i>	MPEF has capital of US\$ 23,196 million. Funding was provided by a group of institutional and international investors, including: (i) Averroès Finance (a French fund of funds which took over early contributions from Proparco and CDC – PME), (ii) the Natexis group (Natexis Banque Populaire and Natexis Private Equity International), and (iii) various IFI/DFI; (FC, EIB, SECO, and FMO).
<i>Investment Policy</i>	MPEF is a generalist fund, involved in venture capital, development capital and LBO operations. MPEF appears to be primarily aimed at medium sized enterprises. The size of investments is in the US\$ 0.5–3 million range, but there are no data on actual size of past deals.
<i>Operations</i>	As of end 2004, MPEF was reported to have made at least 8 investments, of which 6 in Morocco, 1 in Algeria and 1 in Tunisia. Three investments are in the ICT/ICTE sector broadly defined, including: <i>Sigmatel</i> , a telecom and IT network integrator, <i>S2M</i> , a leading provider of payment services, and <i>Matel</i> , a wholesale distributor of IT products. All ICT investee companies are based in Morocco.

Narrative Description

- Through its contacts with Tuninvest Finance Group, Maro Invest is also connected with AfricInvest, a € 25 million venture capital fund targeted at SME and operating in the Maghreb and Western Africa. AfricInvest is participated by institutional investors, Bank of Africa, IBTC group, and IFI/DFI, EIB, FMO, BIO and Finnfund.

Sources

- www.maroinvest.com

PROFILE #4. MOUSSAHAMA SPPP

Salient Features

<i>Denomination</i>	Moussahama Société de Participation et de Promotion du Partenariat (Moussahama SPPP)
<i>Nature</i>	Moussahama is an investment fund, the first equity financing operation established in Morocco
<i>Location</i>	Moussahama is based in Casablanca.
<i>Geographical Coverage</i>	Moussahama operates in Morocco.
<i>Establishment</i>	Moussahama was established in 1990, while the operations started in 1993.
<i>Funding</i>	Moussahama was established with an initial capital of MAD 55 million. The capital was increased to MAD 140 million in 1999. Moussahama is currently controlled by the Banque Centrale Populaire, which contributed 59% of capital. Other participants include the EIB (19%), Proparco (15%) and Spain's COFIDES (7%).
<i>Investment Policy</i>	Moussahama is a generalist investment fund. The early emphasis on seed financing and venture capital has been progressively replaced by a focus on development financing operations. In the 1992–98 period, the average investment size was MAD 5.7 million, under US\$ 600,000. Overtime, the size of deals has increased, and the average size of investments is currently MAD 10 million. Deals involve equity as well as convertible bonds and loans, <i>comptes courants d'associés</i> .
<i>Operations</i>	As of mid 2005, Moussahama had invested in 24 projects, with total commitments of MAD 161 million. Several of the early investments have met with difficulties, and have been fully or partially written off. A couple of investments have been successfully exited, of which, one through an IPO, while the active portfolio includes a dozen investee companies. The main investments include Regional Air Lines, MAD 30 million, OMIA, producer of shock absorbers, MAD 30 million, and the French company Naturex, biotechnology, listed in the Paris stock exchange, MAD 47 million.

Narrative Description

- Moussahama is registered as a *société anonyme*, joint stock company, combining the functions of the fund proper and of the management company. A separation of the two functions is currently being envisaged, in view of the raising of additional capital (see below)
- Moussahama was initially established by a group of individuals, with EIB support. The promoters managed to raise an initial capital of MAD 55 million, contributed by five Moroccan banks, BCP, BMCE, Bank Al Amal, BNDE and the Crédit du Maroc, each holding 18%, and by the EIB with 10%. The investment in Moussahama was the first ever made by the EIB in a financial institution outside the EU.
- After the initial pioneering phase, Moussahama's capital was increased to MAD 140 million in 1999. On that occasion, BCP purchased the shares of other banks, reaching 59% of capital. The EIB also increased its participation to 19%, being joined by two new shareholders, Proparco with 15%, and Spain's COFIDES with 7%.
- At present, Moussahama can be regarded as the equity financing arm of the BCP group. Due to the presence of COFIDES, Spain's development finance institution, operations promoted by Spanish interests have attracted significant attention. As of end 2004, Moussahama had made 5 investments in Spanish owned or participated companies, with total investments of MAD 30 million (€ 2.7 million).
- In late 2005, Moussahama was exploring the possibility of raising additional MAD 250 million capital, to establish another fund devoted to SME financing
- In 2004 and 2005, Moussahama received technical assistance from USAID, implemented by FSVC. Assistance was aimed at facilitating the restructuring of current operations, including addressing problems in the portfolio.

Sources

- www.bp.co.ma (general site for the BCP group)

PROFILE #5. *Upline Technologies*

Salient Features

<i>Denomination</i>	Upline Technologies.
<i>Nature</i>	Upline Technologies is an investment fund, specifically targeted at the high tech sector, the only one of this type active in Morocco. The fund is managed by Upline IT Management, a subsidiary of the Upline Group.
<i>Location</i>	Both the fund and the management company are based in Casablanca.
<i>Geographical Coverage</i>	Upline Technologies operates in Morocco.
<i>Establishment</i>	Upline Technologies was established in 2000, with the first investment taking place in the same year.
<i>Funding</i>	Upline Technologies has a MAD 50 million. The capital is provided by the Upline Group, CDG, MAMDA-MCMA, Proparco, and Investia, connected with JP Morgan and FundsHub.
<i>Investment Policy</i>	Upline Technologies is a specialized fund, specifically targeted at ITC companies. The fund tends to target medium sized companies, with investments of MAD 5 to 20 million. Investments in smaller firms are not ruled out a priori, but they are perceived as not particularly attractive due to the high transaction costs. Upline Technologies invests in equity and quasi equity (convertible bonds).
<i>Operations</i>	Upline Technologies has reviewed a pipeline of over one hundred projects and invested in four companies. The total investment is not known, but probably in the range of MAD 40–45 million. The portfolio includes: <i>Mughamrat</i> , a developer of software packages in Arabic language, unspecified amount, <i>Involys</i> , ex <i>Batisoft</i> , a leading developer of IT applications for the construction and real estate business, unspecified amount, corresponding to 33% of capital, <i>Redstone Technologies</i> , advice and development of web and e-commerce solutions, unspecified amount, and <i>HPS</i> , a leading developer of IT applications for the banking sector, with an investment of MAD 20 million.

Narrative Description

- Upline Technologies is part of the Upline Group. Founded in 1992, Upline started by publishing financial, economic and political research and analyses for foreign investors, including international banks in the English-speaking world. Then it specialized in brokerage, fund management and venture capital. Shareholders include the four founders, an American trust, and Gulf States interests.
- Upline has well developed contacts with institutional investors in the region and beyond. They cooperate with SIPAREX in the management of the Maghreb Private Equity Fund (MPEF) and consider the establishment of a regional equity financing facility for ITC/innovative firms.

Sources

- www.upline.co.ma (not operational at the time of writing)



ANNEX F – PROFILES OF ICT/ ICTE SME

WILLNET

Operations

The company was established in 2001 as a limited liability company. *Willnet* is mainly active in the design of web applications, including intranet and extranet applications, like the management of orders from sales people. Recently, they have been involved in the design of ERP systems, an area in which they are currently investing.

Based in the Casablanca Technopark, *Willnet* currently employs 6 people, with an annual turnover of MAD 1,000,000 (US\$ 100,000). They have about 15–20 stable clients, including some large companies, like *Méditel*, and public entities, like the *Office National des Aeroports*. In the past, they also produced software for the EU-funded PAPE program. The ERP project has been developed following a request from a client and is expected to be completed in 3–4 months. *Willnet* would like to build on this first project in order to develop a standardized product, primarily aimed at small manufacturing companies.

The market for web applications is pretty crowded and it is estimated that 100 small firms are involved in this line of business. Cap'Info is regarded as the leader. Unlike most of their competitors, *Willnet* works with Java and other open source software, whereas most of their competitors work with Microsoft. They regard this as a significant competitive advantage, as clients will not have to bear the additional cost, approximate cost per license MAD 200–300,000.

Financing

Thus far, the company has not received any external support. Clients typically pay after 100–110 days

and this inevitably increases working capital needs. Advances, in the order of 10–20% of contract value, are typically requested from new clients, whereas they are rarely included in contracts with recurrent clients. Past attempts to get a bank loan were discouraging, because of exogenous factors as the company was banking with Wafabank, and the takeover of this bank by BCM disrupted old connections; “After the merger the people we were working with were transferred and now we have to rebuild a relationship with the new branch manager”. The *Fonds Sindibad* was also approached but “nothing has come out”. Current financing needs relate to the ERP project, whose full development is expected to cost MAD 1,000,000 (US\$ 100,000) while another MAD 300,000 (US\$ 30,000) would be required to support the market expansion drive. In case no external funding is found, “we will proceed along the same lines, but it will take much more time, and we would lose opportunities”.

Comments

A very small firm, with good technical capabilities, but facing challenges in growing its operations.. They seem fairly discouraged regarding their chances of ever accessing external financing but would greatly appreciate the assistance of somebody who could help them in preparing loan applications and dealing with the banks.

MAROC TRAITEMENT DE TRANSACTIONS

Operations

Maroc Traitement de Transaction (MTT) was established in 2001. The company's activities focuses on value-added solutions for the management of transactions. MTT operates automatic transaction machines which can be used for paying bills and for other e-transactions such as booking tickets The company is based in the Technopark Casablanca. It started with 5 points in the region of Casablanca and a client-base of 120 users. As of today, the users

of MTT's services amounts to 200,000. The company currently employs 30 staff.

Financing

During the start up stage the company did not require financial support from external sources and was primarily financed through internal investments of the owner, his family and friends. At present, the company is planning to expand on international markets, and in particular in France, with 5 points in Paris, Algeria and Senegal, 4 points in Dakar. To this end, MTT needs considerable financial support and can not rely on its revenue. Recently an attempt was made to attract an equity investment from Fonds Sindibad for about US\$ 0.5 million, but no agreement was reached. The company is therefore actively looking for other investors, otherwise its expansion plans can not be realized.

Comments

MTT would evidently benefit from assistance in the identification of the available sources of financing and in the application procedures. In fact, it emerged that the management is not fully aware of the various financing opportunities offered by the market and could benefit from training and advising.

FIRSTMILE TELEKOM

Operations

Firstmile Telekom was established in May 2005, and it is located within the Casablanca Technology Park. The company is active in the segment of the 'last mile' connectivity solution and in particular broadband wireless backbone services. *Firstmile Telekom's* products are design to provide high-speed Internet access for open-to-public facilities, such as air stations, hotels, and cyber cafés. The current clients include large entities, like Meditel, MarocNet and the Abdelmalek Saadi University of Tanger. The company employs on a permanent basis 10 staff, including 7 technician, a project manager/director and two assistants.

Financing

The company's spin-off was financed both with owner's private savings, and with loans from friends and relatives. During the first year, *Firstmile Telekom* recorded good performances, having secured

contracts for a total value of US\$ 200,000. But today, the company needs further financing—about US\$ 150.000 to 200.000 over a two-year period—to develop its products and expand its commercialization. Getting credit from banks proved to be an uneasy task, and after several rejections *Firstmile Telekom* is currently negotiating a US\$ 50.000 loan with Bank Al-Amal. An attempt to obtain a financing from Fonds Sindibad also failed.

Other

- Their view on the Technopark is amply positive, as it provides the company with possibility of meeting other entrepreneurs, exchanging information and establishing important business relations.;
- *Firstmile Telekom* is keen to sell equities to a private investor in order to raise the financial resources necessary to the expansion of activities both at national and international level;
- *FirstMile Telekom* is a member of the industry association APEBI. As such, it participated to the Exhibition held in Tunis, November 2005.

HIGHTECH PAYMENT SYSTEMS (HPS)

Operations

Hightech Payment Systems (HPS) was founded in 1995 by a group of consultants and experts who have experiences in monetary and banking systems. The objective of HPS is to design and provide comprehensive, modular and integrated solutions for electronic payment business. "PowerCard" is the main product traded by HPS. This is a system that streamlines electronic transactions, while offering a high level of security protection at a relative low cost. PowerCard system is certified by world-class leaders such as Visa, AmEx, Diners, MasterCard and JCB. The first important contract obtained by HPS was in 1996 with the Moroccan Bank "Societe General Marocaine de Banques". Since then HPS successfully expanded its operations in Morocco and internationally. In 2002, the company started an improved new version of the PowerCard system and received the Moroccan 'Best Exporter Award'. In 2003, it opened a foreign branch in Dubai's 'Internet City'. Other services offered include: IT

consulting and training, audit services, customer support, and software customization.

The company employs 100 people, of which 85 are engineers and consultants.

Financing

During 1996–2002, HPS's turnover grew at a rate of 30% per year. New investors recently joined the original group of founders, injecting US\$ 4.0 million of fresh capital in the business. In 2005, the company posted an annual turnover of about US\$ 10 million. From the financial point of view, the company is doing well and does not need financial support from external sources. Cash flow is sufficient to support current expenses and investment. In case additional money is needed, HPS would not face serious obstacles in getting credit from a bank or any other Moroccan financial institutions.

Comments

In HPS's management view, Moroccan financial and regulatory framework is not favorable to SMEs in general and ICT/ICTE in particular. Therefore, they deem urgent to develop a commercial credit policy that favors local ICT companies that have the skills, the technology and the capacity to compete in international markets. This could be attained with the active engagement of the financing institutions community and the Government. In particular, the latter could influence existing investment plans, or create a dedicated scheme for ICT based companies.

CYBER CAFE MOROCCO

Operations

Cyber Café Morocco (CCM) was established in 2004 in El-Jadida. This is a typical family-run business: with premises located within owner's house and two family members employed. The business is small, only 6 seats available and run in an informal way. But, as there are no other Internet points in the neighborhood, CCM faces no competition, and the volume of activities is fairly satisfactory. In addition to that, computer spare parts and consumables are being sold in the shop. CCM's annual turnover is in the order of about US\$ 6,000.

Financing

The start-up was mainly financed with owner's savings complemented by a bank loan of US\$ 2,000. Overall, the amount invested is modest and therefore the CCM's capacity is limited. At the time of the interview, the owner was planning to expand the business, although it was still not clear in which direction. In particular he was considering the possibility to expand the capacity, such as increased number of seats and/or a second Internet point in a different area, as well as to improve the service by increasing the speed of connection, and to diversify the activity by adding phone call services. The estimated financing needed is of about US\$ 4,000–6,000, but the owner complains that getting a bank loan is a very complicated and time consuming. He thinks the chances of success are minimal for businesses like his. Moreover, the interest rates asked by commercial banks are too high for him. Alternative source of financing are perceived as very marginal options.

Comments

CCM is an example of a small business that is severely hampered by the management's lack of information on financing options available to SMEs and by an inadequate approach to the banking system. A business like this would therefore benefit from the existence of schemes providing information and technical assistance, including specific training, on financial matters.

FUSION

Operations

Fusion was established in 1998 as a limited liability company. The company specializes in the conception and realization of e-based projects in the following fields: website design, graphics, Internet hosting, and e-contents for mobile platform. Regarding the latter, *Fusion* is currently engaged in the development of a package for SMS multiple sending. At present, the company employs 15 staff, but the number often varies depending on the volume of activities in course.

Financing

Fusion offers was initially financed by a telecom leading operator. Further on, for reason the inter-

view did not specify, the investor decided to withdraw and the original developer continued his activity alone. As the company grew, there was a further need for financing and, to this end, they explore various options, like equity schemes, bank loans, mortgages. As all the attempts failed, the company proceeded through 'bootstrapping' and sometimes borrowing from FFF sources. *Fusion* is not a simple importer/installer of foreign applications, but a product developer, and for this reason, according to the management, they are perceived by financial institutions community as somewhat more 'risky'. According to the director's view "you will rarely get a no, but you will not get a yes either". In other words, dealings with financing institution may last for more than one year before the final decision is taken, and in most of the cases, this is a considerable waste of time for an entrepreneur.

Other

At this stage, financing is perhaps not the most stringent need for *Fusion*. More important is to find distribution channels to expand its presence on the domestic market and to penetrate the international market.

INTELLIA

Operations

Intellia was founded 4 years ago. Since then, its growth has been considerable, and the company is currently employing over 120 people, with offices both in Rabat and Casablanca. *Intellia* is registered as a limited liability company, with a chartered capital of US\$ 430,000—that is definitely an important sum for an ICT enterprise.

The company is a common BPO business with two main lines of business: (i) the development of solutions for documents digitalization and management, and (ii) the provision of document digitalization services for foreign clients. The latter is a typical labor-intensive activity which explains the large number of staff. As a software developer and IT solution provider, *Intellia* also offers: electronic document management systems, optical disk document storage, retrieval systems, and solutions for customer relationships. In addition, *Intellia* also acts as a reseller and installer of B2B software packages.

Financing

Reportedly, *Intellia* faces considerable barriers in accessing suitable sources of finance. They tried with equity funds as well as with guarantee schemes, but the appraisal process was so long that the management had the impression that it would not lead anywhere and eventually dropped it. Recently, the company has entered an agreement with a foreign investor for a considerable operation.

Other

According to the interviewee, the ICT sector entrepreneurs are generally discouraged about the possibility of accessing the existing financing options. To this end, it would probably prove useful to make successful stories available to them. This would help raising the overall confidence vis-à-vis the financing institutions and providing the entrepreneurs with concrete 'hints' on how to prepare a successful business project.

MOBIPHONE

Operations

Mobiphone is an official distributor for Meditel, the second-largest Morocco's mobile operator. The company grew rapidly over the past few years reaching in 2005 a yearly turnover of MAD 50 million (US\$ 6.0 million). The growth was fueled by the partial liberalization of the telecommunications market in Morocco, that allows the company to develop as a provider of services and products for telecom operators, including VoIP service.

Financing

Mobiphone is entirely financed with its cash-flow and no major financing needs is foreseen for the near future. In general, the management express a negative overview of the Moroccan financing system, which is seen as inadequate for ICT/ICTE sector.

Other

According to the company's management, the main issues for this sector relates to the overall framework rather than to financing. The full liberalization of telecom, the lack of an independent supervisory authority, and the presence of unfair competitive practices represents the most urging issues to be

addressed. body and “real” free competition are issues of greater importance than the access to finance.

SUCCESS TECHNOLOGY²⁶

Operations

Success Technology was established in 2000 by 3 partners. Nowadays, The company counts 12 collaborators out of which more than half are engineers. It operates in the field of network architecture (LAN, MAN, WAN) and e-security.

Financing

Upon its creation the company sought for EUR 300,000 both from equity schemes and commercial banks. However, after nearly one year of useless negotiations they decided to drop and try to operate with the company’s earnings as the only source of financing. The CEO recognizes that this may have slowed down the company’s growth and that “*a lot of time was wasted in the application process*”. Presently, *Success Technology* has established a partnership with an international investor, which will not only provide the expansion capital, but also give the company access to foreign markets, especially in Spain.

Other

The CEO of *Success Technologies* has been the president of the Young Entrepreneurs Association for the last 3 years, and this has allowed him to gather different opinions and experiences from the association members. Regarding the access to finance, he highlighted the following elements:

- there is a generalized feeling of mistrust vis-à-vis the financial system. Most entrepreneurs assume that financial support does not go to those who present the best business idea;
- the efficiency of the loan application selection process should be increased, in order to provide the entrepreneurs with a response in a shorter delay.

WEBCITY

Operations

Webcity was established in 1999 as a limited liability company. The firm was founded on the initiative of Mr. Hamid Lakhdar, currently General Manager and it employs a small team of professionals with substantial experience in web engineering and design. The company is active in various Internet-related activities, including in particular web-design and e-contents management.

Its main assignments in recent times dealt with the build up of Internet portals for the development of tourism. For instance, Webcity has realized the official site for the tourism industry in Casablanca: www.visitcasablanca.ma. In addition to that, the company is venturing in the field of open source software to develop various type of applications. Since 2000, the company is located within the Casablanca Technopark.

Financing

The company has never received any financing from external sources. Early attempts to borrow from commercial banks were frustrating. Presently, they are considering to submit again a proposal for a financing of EUR 200,000, but admittedly the chances to obtain such a loan are minimal. The purposes of the financing is mainly associated to the expansion of the commercial capacity. The management is also open to investments coming from equity firms, but they are aware that this could be even more difficult than with banks. Therefore, Webcity is likely to continue ‘bootstrapping’ for some times.

²⁶ For further details <http://www.success.ma>.

About *infoDev*

infoDev is a partnership of international development agencies, coordinated and served by an expert Secretariat housed at the World Bank, one of its key donors and founders. It acts as a neutral convener of dialogue, and as a coordinator of joint action among bilateral and multilateral donors—supporting global sharing of information on ICT for development (ICT4D), and helping to reduce duplication of efforts and investments. *infoDev* also forms partnerships with public and private-sector organizations who are innovators in the field of ICT4D.

infoDev's mandate is to help maximize the impact of ICTs in global efforts to achieve the internationally-supported Millennium Development Goals. These include improving education and health services, making public institutions more efficient and transparent, supporting rural livelihoods, and contributing to economic growth by supporting small and medium-sized enterprises that use ICT for their business.

For more information visit www.infoDev.org or send an email to infoDev@worldbank.org

