

# THE FINANCING OF SME IN THE ICT/ICTE SECTOR

## THE CASE OF MOROCCO

*Roberto Zavatta*

# INTRODUCTION

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- ➔ Study performed for the **World Bank's** *infoDev* program
- ➔ Overall objective: assess the existence of a **financing gap** for SME in ICT & ICTE sector and identify possible support measures
- ➔ Field work in 10 countries, **Morocco** being the first one

# MOROCCO'S ICTE/ICTE SECTOR

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## ICT SECTOR

- ➔ Some US\$ **580 million** in 2004 (source *APEBI*), of which 40 million of export sales
- ➔ About 1,000 enterprises, with **7,400 “direct” employees**
- ➔ Sector still largely dominated by distribution and installation activities (800 firms)
- ➔ But also a significant presence of IT developers. Strong position in applications for payment systems, with some worldwide players (*HPS, S2M, etc.*)

# MOROCCO'S ICTE/ICTE SECTOR

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## ICTE SECTOR (Call Centers)

- ➔ A **rapidly growing sector**, thanks to delocalization from France (and to a lesser extent Spain)
- ➔ Some **US\$ 80 - 100 million**, of which 85-90% for foreign clients
- ➔ About 60 centers, with **8 – 10,000 employees**
- ➔ Strong presence of foreign firms (*Atento, Webhelp*)
- ➔ Expected to continue growth in the future (e.g. Casa Shore project)

# MOROCCO'S FINANCIAL SECTOR

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**BANK LENDING**

**EQUITY FINANCING**

**OTHER INSTRUMENTS**

# MOROCCO'S FINANCIAL SECTOR

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## BANK LENDING

- ➔ Bank sector is fairly **concentrated** (top 3 ~ 60% of assets), partly as a result of mergers
- ➔ Limited **penetration** of banking services (~ 20% of households have a bank account, 40% in Tunisia)
- ➔ Credit to **private sector** a bit low, at 56% of GDP (Egypt 62%, Tunisia 67%)
- ➔ **Non performing loans** at 18% (but problems mainly concentrated in remaining state owned banks)

# MOROCCO'S FINANCIAL SECTOR

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## BANK LENDING

➔ Loan decision making highly **centralized** and **emphasis on collateral**

Still, some noticeable efforts to approach the SME market....

➔ agreement with **APME** (lending & consulting)

➔ memorandum of understanding between **SME**

**Federation and Banking Association**

# MOROCCO'S FINANCIAL SECTOR

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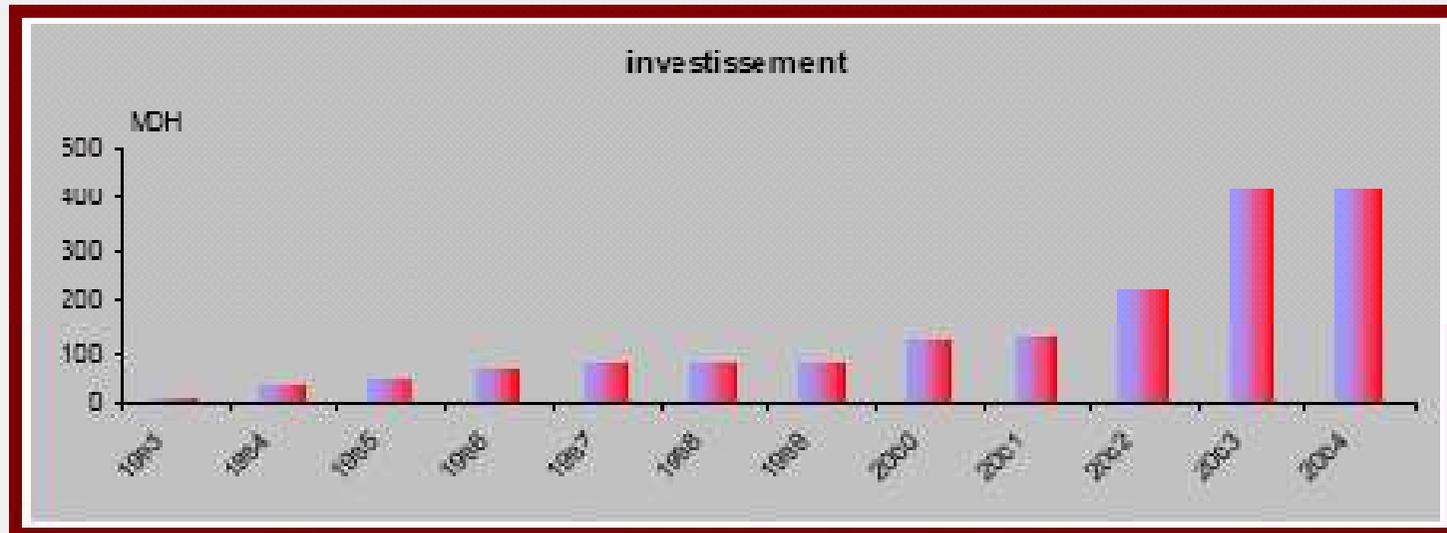
## EQUITY FINANCING

- ➔ **1990-1999 The Early Days:** establishment of *Moussahama* (initial capital of only US\$ 6 million)
- ➔ **2000 The Turning Point:** several new operations with over US\$ 100 million under management
- ➔ **2001-2004 The Investment Phase:** acceleration of investments (up to US\$ 30-40 million/year)
- ➔ **2005 The New Generation of Funds:** several initiatives under finalization

# MOROCCO'S FINANCIAL SECTOR



## EQUITY FINANCING



*Source: CDG*

- ➔ a total of 60+ investments, of which some 50 are still “active”
- ➔ deals mostly in the US\$ 1.5 – 2 million range

# MOROCCO'S FINANCIAL SECTOR

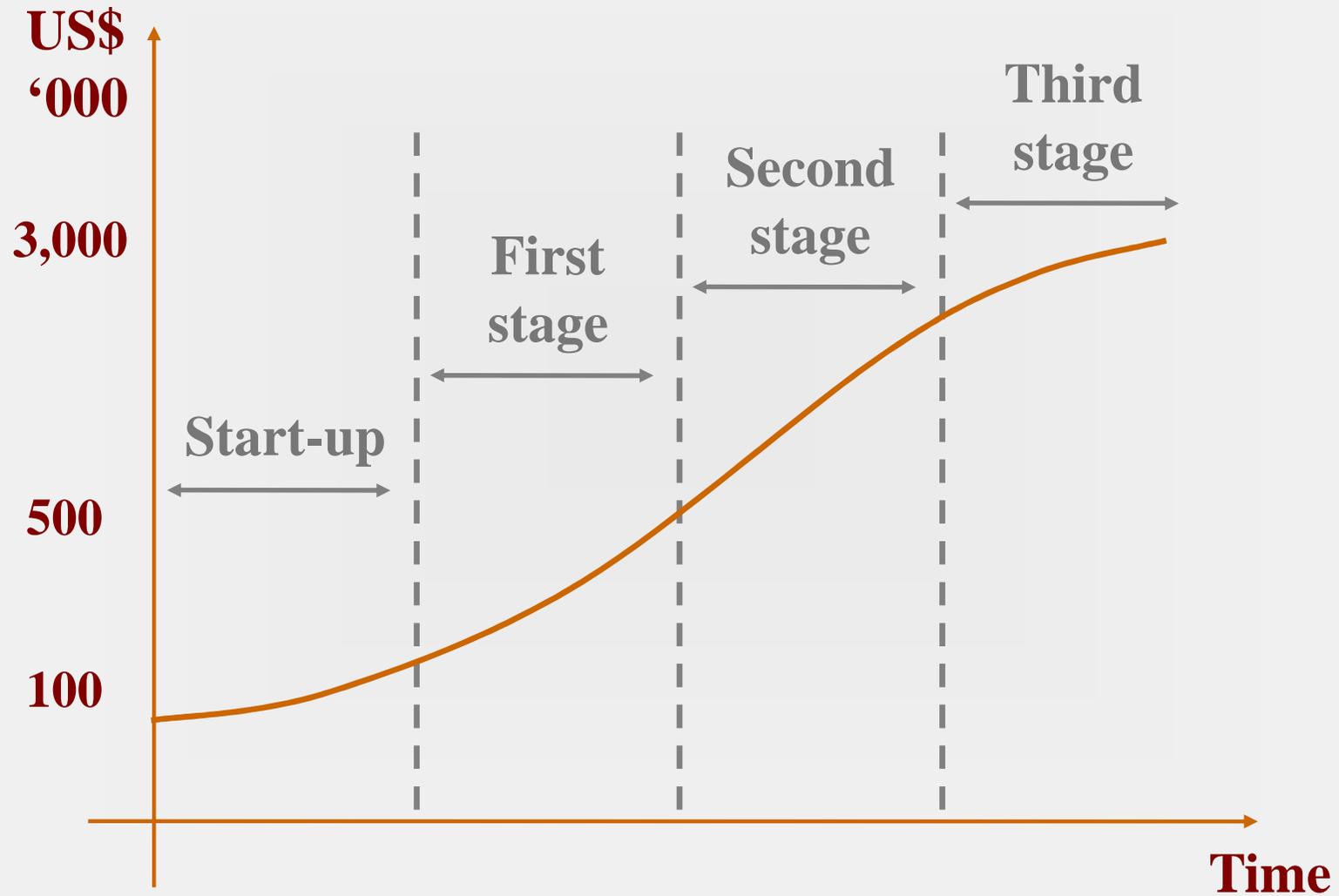
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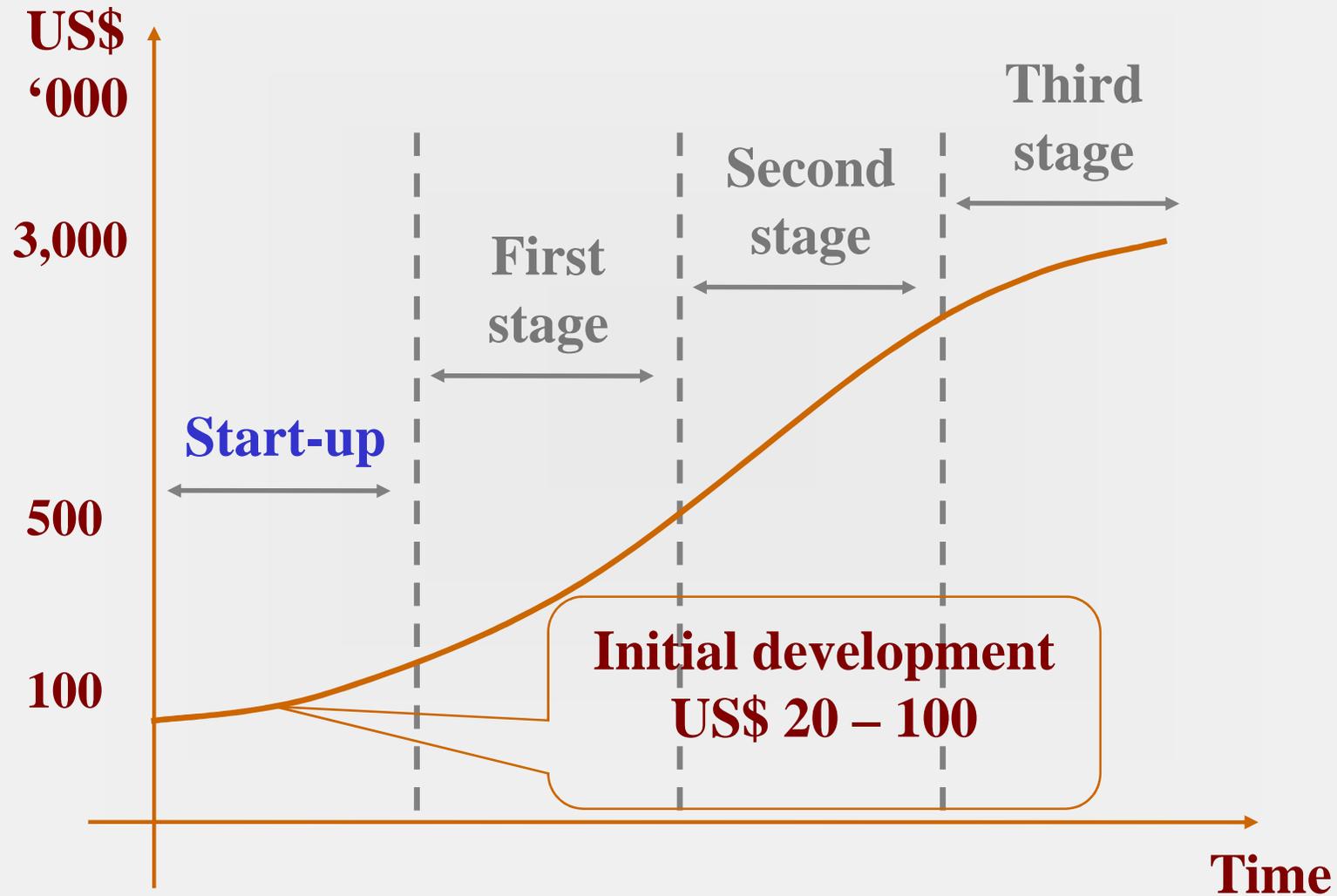
## OTHER INSTRUMENTS

- ➔ **Leasing** is growing fast: US\$ 1.6 billion at end 2004 (compared with US\$ 9 billion in 2000), but remains accessible primarily to well established enterprises (at least 2 years in business)
- ➔ **Factoring** is developing at a slower pace (US\$ 300 million, of which 50 million for international transactions)

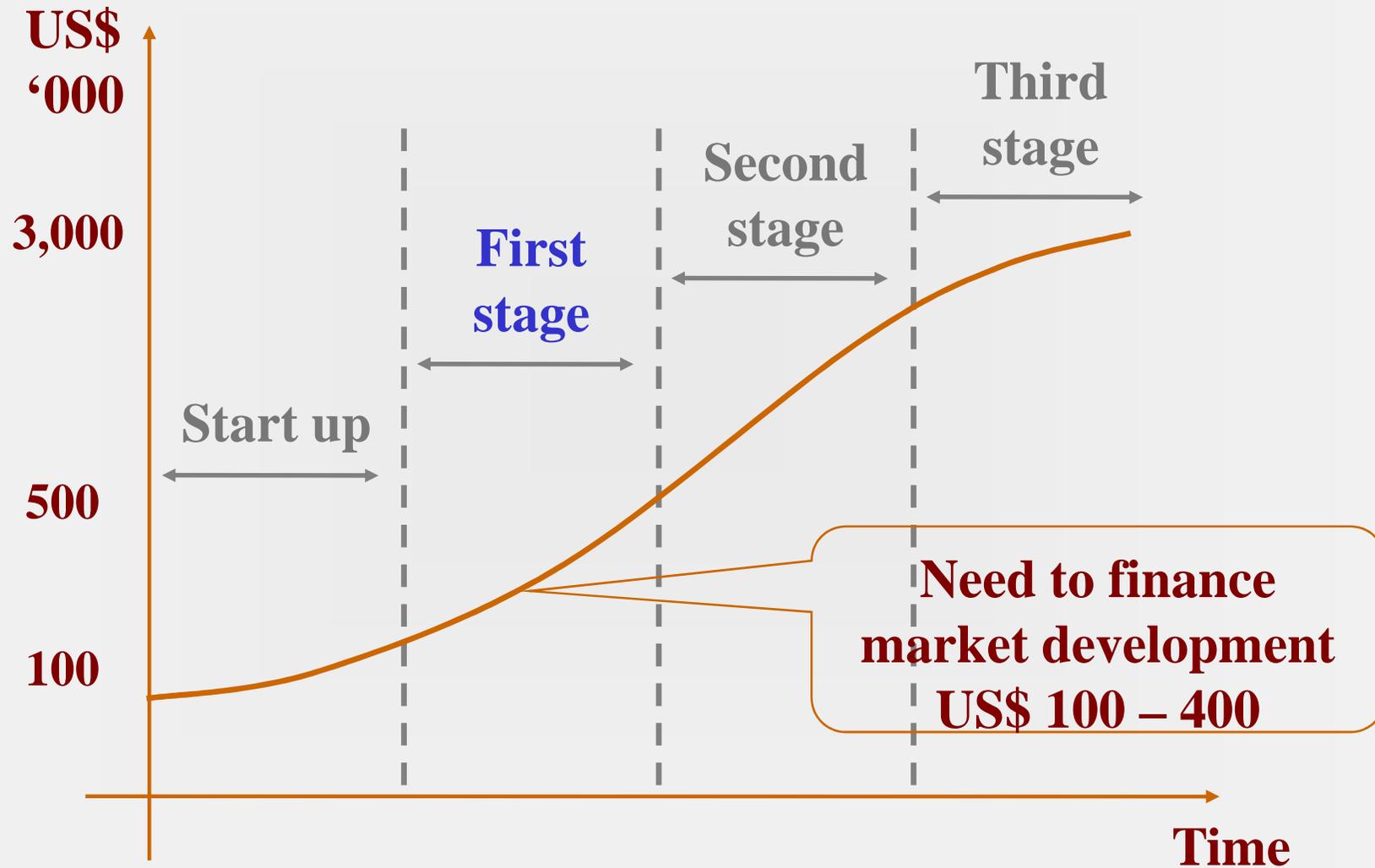
# FINANCING LIFECYCLE



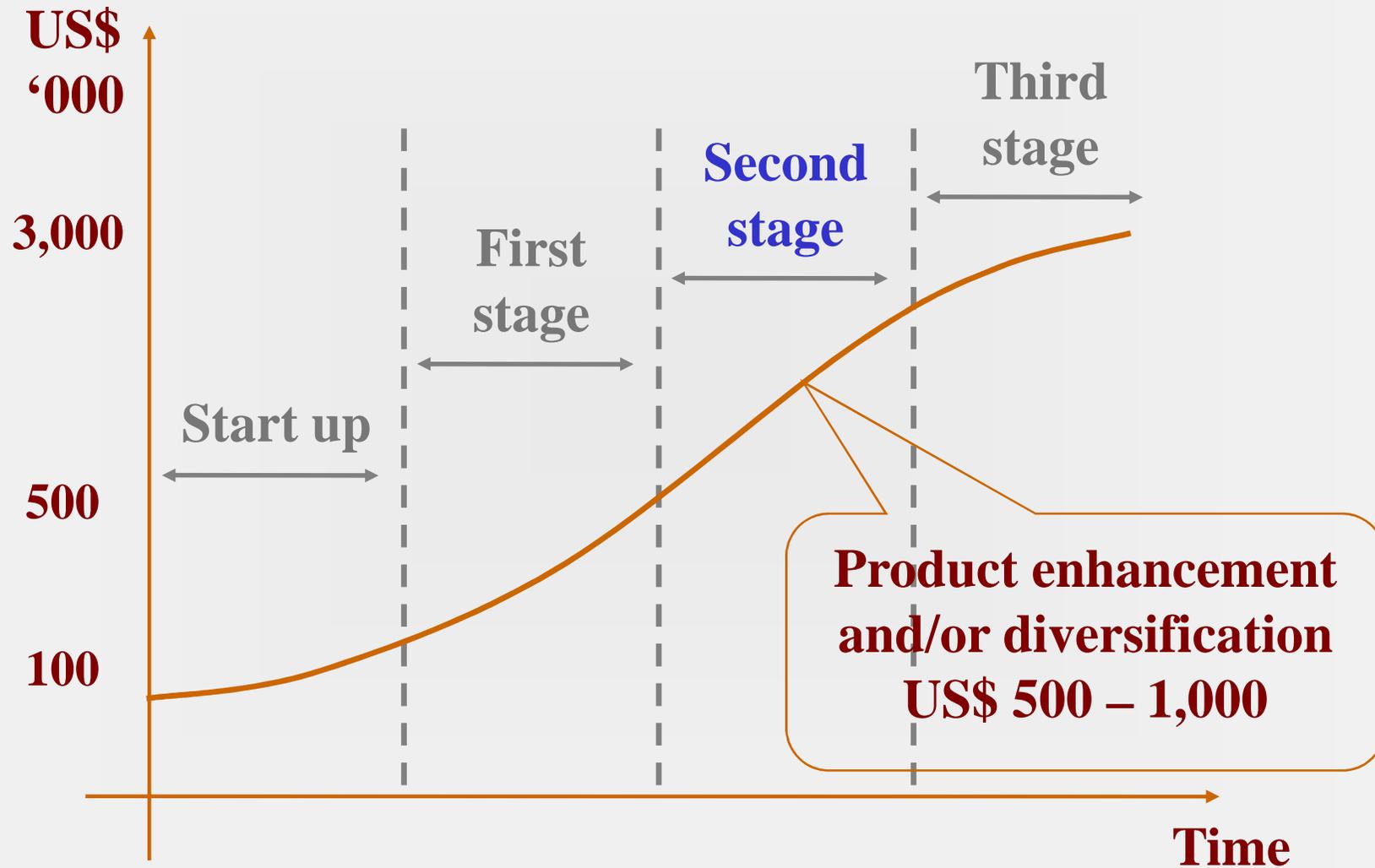
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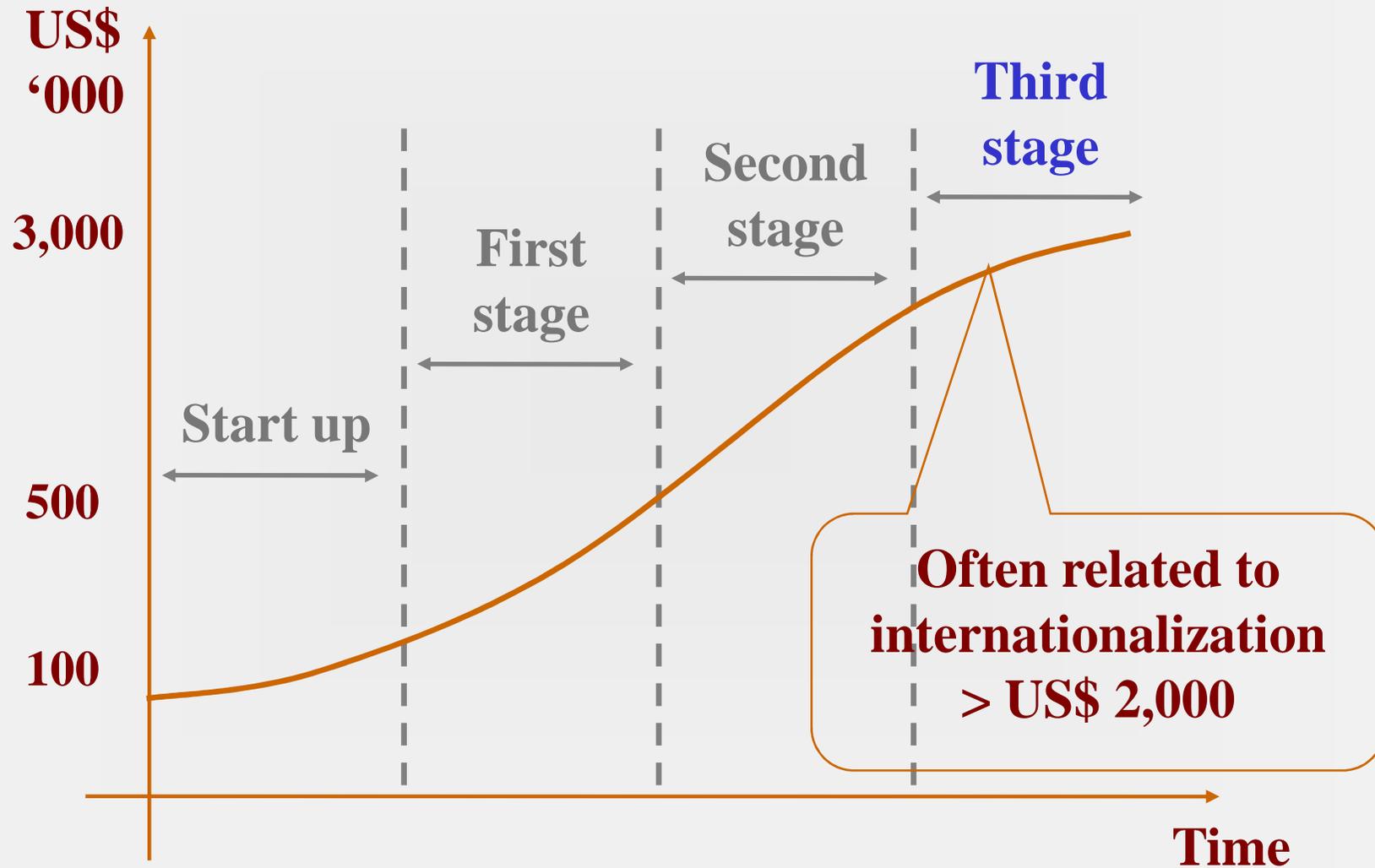
# FINANCING LIFECYCLE



# FINANCING LIFECYCLE



# FINANCING LIFECYCLE



# IS THERE A FINANCING GAP?

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- ➔ **No absolute scarcity of funds** but a (partial) mismatch between supply and demand, especially for initiatives between US\$ 100,000 and US\$ 1,000,000
- ➔ **Constraints also on the demand side** (“wrong” expectations, inability to interact with financiers, unwillingness to accept going terms & conditions)

# THEMES FOR DISCUSSION

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## Improved approach to banks (and other financiers)

➔ Promoters “don’t have time” (and sometimes the skills) to initiate a fruitful relationship. Some external support could be useful

➔ Possible role for business incubators and/or sector associations and/or SME associations (*“cautionnement moral”*)

# THEMES FOR DISCUSSION

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## Achieve a better understanding of the economics of the ICT sector

- ➔ How risky are ICT small firms in reality? Little analytical work so far
- ➔ Idea of establishing a *centrale de bilans* promoted by *APEBI*

# THEMES FOR DISCUSSION

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## Attract more interest from private equity investors

- ➔ Moroccan venture capitalists did not neglect the ICT sector (one sixth of all deals), but the focus was on larger deals
- ➔ Possible role of technical assistance to cover high “transaction costs” incurred by fund management companies

# THEMES FOR DISCUSSION

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## Establishment of dedicated facilities, of the seed capital variety

- ➔ Is the Moroccan market **large enough**? (some say 10 “decent” projects per year)
- ➔ Would a **regional approach** be preferable?



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**THANK YOU FOR YOUR  
ATTENTION**

# CONTACTS

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