

ROADMAP



MAGHREB
BUSINESS ANGEL
NETWORK

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With the support of Zeineb Fakhfakh



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MAGHREB BUSINESS ANGEL NETWORK

FOREWORD

In recent years, start-up initiatives have sprouted up throughout the Maghreb, with innovative leaders pursuing sustainable and inclusive approaches to the development of their countries. For the purposes of this report, we will refer to the region encompassing Algeria, Tunisia, and Morocco as the Maghreb. This region is situated at the crossroads of dynamic markets and increasingly characterized by a highly educated population. The untapped potential of this region can be further unleashed through new initiatives for innovative entrepreneurs.

An important element of early-stage support for start-ups comes from angel investors. Beyond financial contributions, angel investors provide guidance through invaluable advice from first-hand experiences and ongoing mentorship. While business angel networks already operate at the local level, a regional network that brings together existing structures has the potential to bring about deeper inter-regional exchange and capacity building and attract greater international support for the Maghreb.

This research was conducted in cooperation with the B@Labs' start-up incubation program. The study seeks to introduce new pathways to innovative and inclusive development in the Maghreb and also looks into how the private sector can catalyze innovative and sustainable reforms and initiatives. After mapping the start-up ecosystem in the Maghreb, this study explores business angel investing in the region while also highlighting certain model networks in other parts of the world. Practical recommendations are presented that lay out the next steps for the creation of a Maghreb angel investors network, which we see as a stepping-stone for greater collaboration across the Maghreb.

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This project is part of the Konrad-Adenauer-Stiftung's (KAS) Regional Program South Mediterranean, which aims to foster a greater understanding of developments happening across and within Mediterranean countries and further dialogue within the region. This KAS regional program works closely with local partners in pursuit of a common vision for human development, economic progress, and political and social stability. Our commitment to a more prosperous development in the wider Mediterranean will also be a source of inspiration for our future activities.

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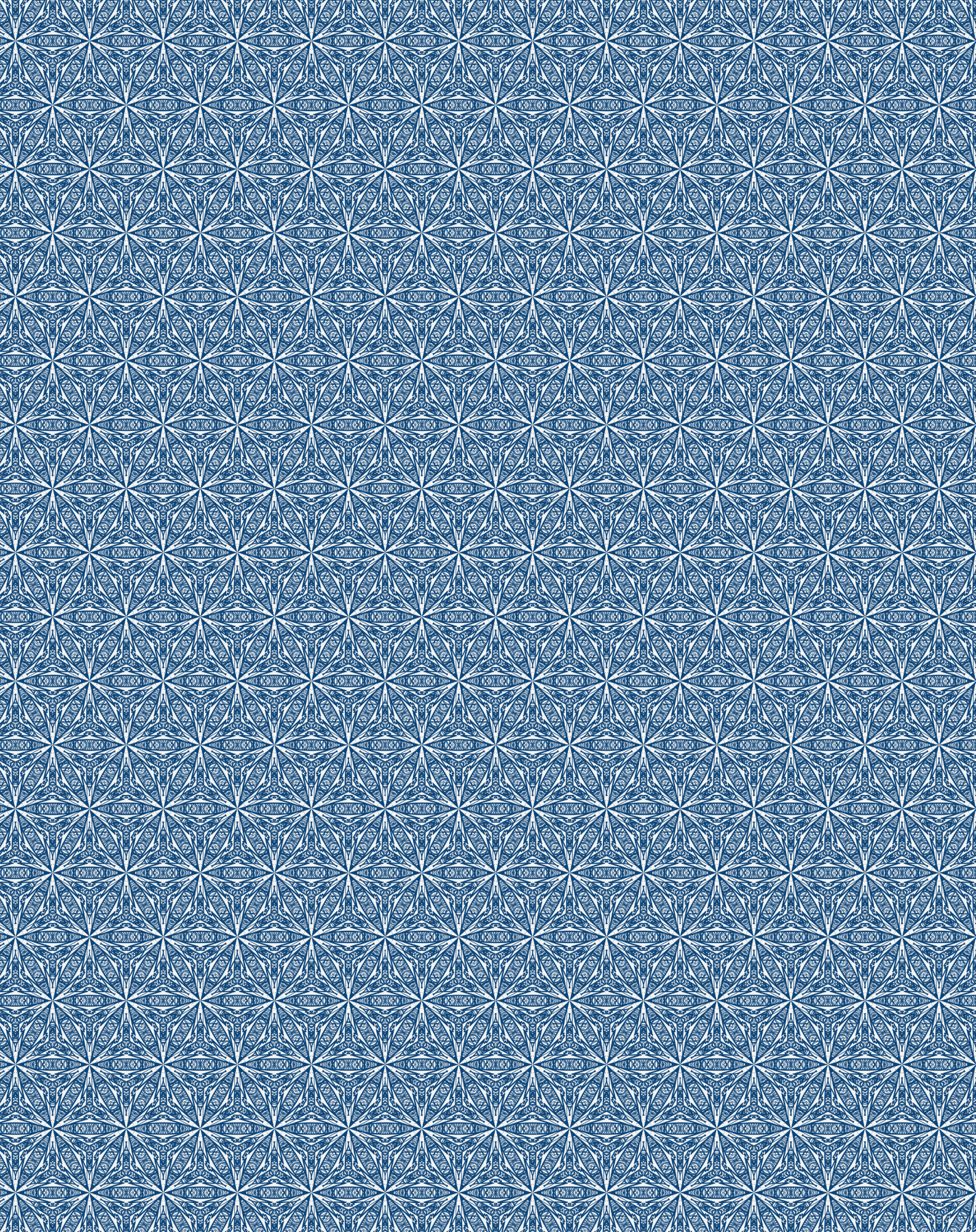
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1. Executive Summary

Receiving investments early on is an important step for start-ups to grow and eventually reach more advanced investment stages. Obtaining early stage investments is challenging in every market across the world. From this challenge has sprouted angel investor networks, which primarily aim to facilitate this important growth for start-ups.

In the Maghreb, start-up ecosystems are relatively new, having matured in Algeria, Morocco, and Tunisia at different rates. Thus, angel investment activity is also relatively new. The whole region counts only three to four active angel investor networks. These investments are provided by locals, for locals or by diaspora members (who play a major role thanks to expertise, access to foreign markets, and access to hard currencies). Angel investor networks that bridge across the Maghreb countries do not yet exist.

All Maghrebi start-ups and investors know that projects in their local country should naturally expand into neighboring markets. But they choose, rather, to expand into other regions: Europe, Sub-Saharan Africa, etc.

Many factors continue to hinder the development of angel investments:

- Difficult currency-exchange policies within and across the countries of the Maghreb
- Still-nascent start-up ecosystems that require greater professionalization
- Lack of a competitive market because of monopoly-like practices
- Still-developing or nonexistent legal frameworks for this type of investment
- Bureaucracy and cumbersome customs processes

- Lack of awareness, lack of trust, and risk-aversion among investors towards start-ups and early stage investments

However, the Maghreb region has many has many opportunities that can be leveraged to push for better early stage investments, such as:

- A large market of 88 million people (up to 110 million in the greater Maghreb)
- A large diaspora (10-15 million people) settled in Western countries, with quick access to hard currency
- The "Start-up Act," the Tunisian legal "success story" that can lead the way to developing a more general legal framework for the whole region
- Expansion of start-up services all around the region
- An existing focus on entrepreneurship among international organizations and financial institutions
- A rising interest in start-ups and entrepreneurship among youth

Identifying the needs of both start-ups and angel investors is the first step in creating an angel investors network in the Maghreb. Some needs are:

- The need to expand investors' deal flow (start-ups in the pipeline) by promoting entrepreneurship, especially in untapped territories outside of big cities
- The need to professionalize existing start-ups and deal flow via mentorship

- The need to promote the concept of angel investment and highlight the associated financial gains
- The need to simplify financial transactions (hard currency exchange, e-payments, etc.)
- The need to update legal frameworks and administrative processes
- The need to open up a market for start-ups across the Maghreb

And, the following features should be ensured:

- A recruitment strategy that targets diaspora members and experienced angel investors
- A deal sourcing and selection strategy based on international best practices
- A clear investment and mentorship strategy that leaves space for angel investors to cater their support to the unique needs of the start-ups

In order to address these needs, angel investor networks starting in the Maghreb can take notes from the following networks: EBAN (Europe), MAIN (Middle-East), ABAN (Africa). These networks have shared best practices regarding methodologies and processes that may be useful for a Maghrebi equivalent. Partnerships with these networks may also be relevant.

Finally, following a kick-off event (which may be integrated into a regional network seminar), a Maghreb angel investors network can be up and running in under 18 months.

A Maghreb Angel Investors Network would be a major addition to both local and regional start-up ecosystems. It will help start-ups access new opportunities in many ways: access to finance, market, expertise, advocacy, etc. and therefore be valuable for spurring further growth in a dynamic region.

A Maghrebi angel investors network should have two main, overarching objectives:

1. **Investment: angel investments for start-ups in the Maghreb**
2. **Advocacy: promote and lobby for angel investment activities to support entrepreneurship and innovation in the Maghreb**

Investment is a top priority in order to put angel investing culture on track. In order to create such a network, the following actions should be taken:

- Connect with potential angel investors, especially from within the diaspora
- Raise funds
- Connect with local deal sourcing organizations
- Create a legal structure and set up an office

2. Overview of the Maghreb Angel Investment Ecosystem

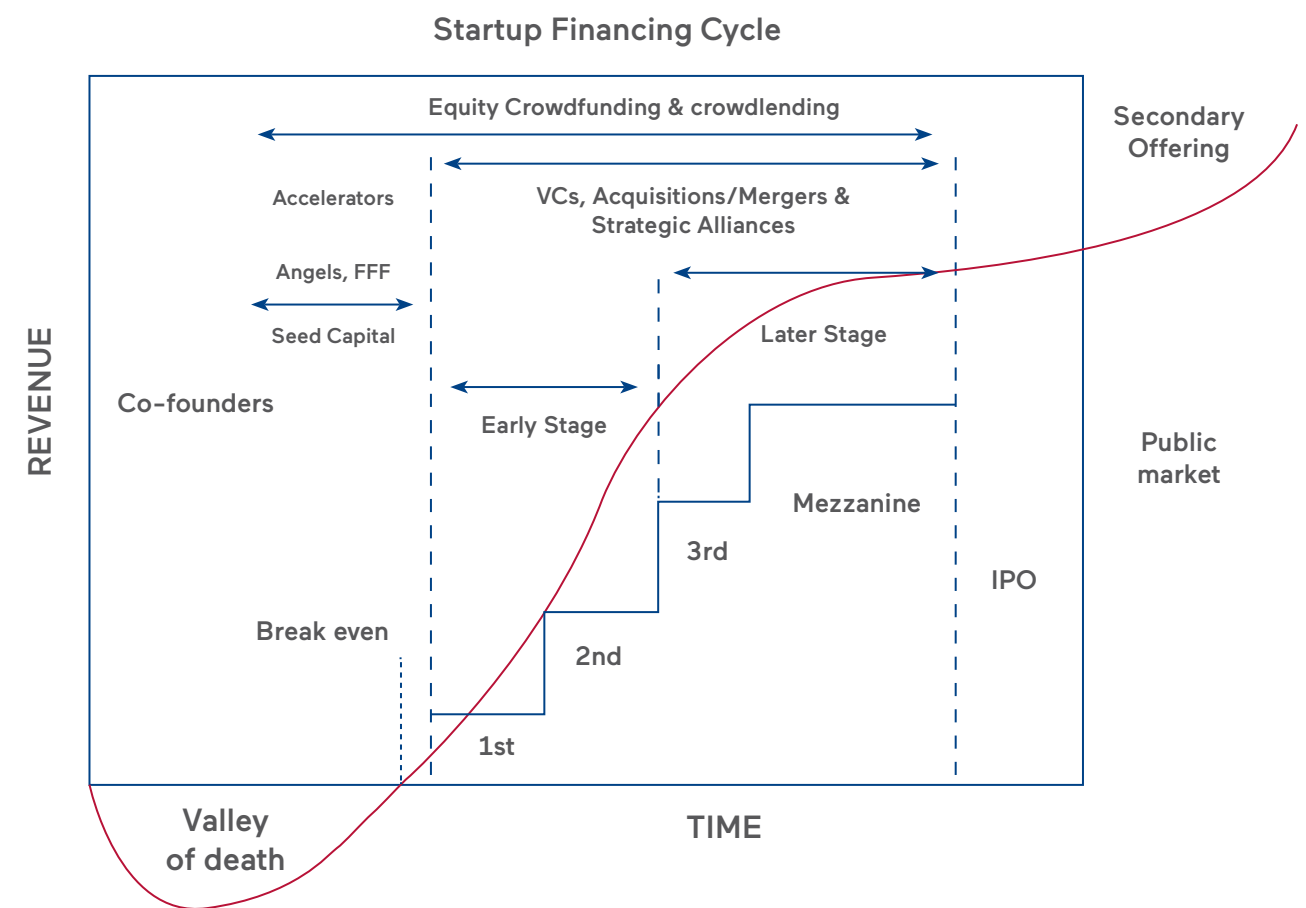
2.1 Introduction to Angel Investment

Start-ups go through a financing cycle that starts with fundraising at the personal (family and friends) level, ideally breaks into venture capital, and perhaps ends in the start-up being acquired.

During this early stage, start-ups struggle to access cash to grow their businesses; they lack the expertise to help them avoid strategic mistakes.

This cycle has many stages. The most challenging stage is obtaining the first round of funding, called seed funding. This stage is called the "Valley of Death": a "cemetery" for many start-ups.

Angel investors step in to provide seed funding at this stage. Angel investors are high net worth individuals who provide "small" financial tickets to start-ups in the form of equity. They invest their personal assets in new and growing



businesses. Angel investments are normally minority investments (owning less than 30% of the company).

There is no standard seed fund, but in Europe, for example, angel investors provide between €20,000 and €500,000 at this stage. The seed fund depends on the start-up's needs, as well as the local financial legal framework.

Angel investors contribute more than just cash. They also provide mentorship: first-hand managerial experience, industry knowledge, contacts, negotiation tactics, etc.

More and more angel investors are joining together in angel investor networks (alternatively called "business angel networks") to publicize their activities and pool their investing capabilities.

These investors are the largest source of external funding after family and friends, and they help newly-established ventures survive the "Valley of Death".

2.2 Angel Investment in the Maghreb Ecosystem

Previous Experiences

Previously, angel investments in the Maghreb were primarily made within a single country or between a diaspora entity and that country. The number of investments figured in the tens rather than the hundreds. Very few investments crossed country lines, besides the ones coming from a diasporic entity. In our research, we were only able to identify one example.

Angel investments are also very difficult to quantify (how many investments, how big is the ticket, etc.). Currently, there are no statistics on early stage investments in the region. Some small "success stories" resulting from angel investments are circulated, but they do not paint an accurate picture of this nascent practice in the Maghreb.

Mentorship, on the other hand, has deeper roots in the region, thanks to local incubators

and accelerators that connect experts to start-ups. Some of these mentors have a long history of investing, but there is no clear data on this demographic.

→ **In Tunisia**, a few 'angels' have invested in various start-ups either independently or through groups. Carthage Business Angels (CBA), one of the major angel investor networks in Tunisia, was created in 2011. The group helps angel investors find companies to support (i.e. access to deal flows), manages an investment fund, and is backed by a business incubator (Wikistart-up). While CBA is still the only formal angel investors network in Tunisia, early stage investment is developing through other channels, thanks to increased efforts from investors. Still, current levels of support do not meet the needs of the start-up ecosystem.

→ **In Algeria**, both the start-up ecosystem and investor networks are nascent. The first Algerian angel investors network, Casbah Business Angels, was created in 2012. Informal investment groups emerged following the Casbah Business Angels, and some expressed interest in developing into a more formal structure.

Early stage investment is still impacted by the state-owned National Youth Employment Support Agency (Agence nationale de soutien à l'emploi des jeunes - ANSEJ). The ANSEJ primarily works to promote employment; it is also active in the start-up ecosystem by providing grants and/or microloans. Some consider the ANSEJ as the "first and biggest business angel in Algeria," even though it is not technically a 'business angel.'

→ **In Morocco**, angel investments are made mostly by serial entrepreneurs or managers of major corporations. Up until recently, most seed funding in Morocco was provided by 'angels' working independently. The first network of angel investors, Atlas Business Angels, was created in 2008, but was shut down a few years later. This project may have failed due to an underdeveloped ecosystem in Morocco at the time. However, more recently, new initiatives (MNF Angels, Angels4Africa, etc.) have emerged and are now succeeding in connecting investors with start-ups.

Looking across Central Maghreb, we do not see a network of angel investors that works in more than one of the region's countries. Up until now, international collaborations have happened because of diasporic connections.

Current Situation

Describing Collaborations between Angel Investors across the Maghreb

Generally speaking, angel investors are more interested in a project's potential than where the start-up comes from: Investors are linked to specific geographical regions only because it's easier for them to find opportunities to invest. Proximity and local process knowledge drive local investment.

This trend applies to the Maghreb and can explain why it is rare to have angel investors in the region invest outside of their country.

Very few start-ups that operate in more than one country in the Maghreb are on the radar of the region's angel investors: angels in the Maghreb tend to invest in the countries they know (local, countries with strong diasporic presence, countries with personal or professional connections) and have poor knowledge of the deal flows and legal frameworks in other countries in the Maghreb.

Additional barriers may discourage this type of investment: poor perception of local start-up ecosystems, currency exchange, or complex administrative processes.

These reasons are also why angel investors would rather invest in Western, African, or Middle Eastern ecosystems rather than in the Maghreb.

For example, the Angels4Africa network identified a 15-20% increase in their deal flow outside of Morocco, but not from any country in the Maghreb, despite relatively easy-to-meet criteria. The main identified reasons are:

- weak deal flow
- blurry legal status

- lack of entrepreneurial commitment and professionalism

On the other hand, angel investors tend to push their start-ups to scale outside of local markets. In theory, start-ups in one country in the Maghreb should naturally expand to other countries in the Maghreb. However, angel investors push their start-ups to explore regions outside of the Maghreb. In fact, market access is seen to be more difficult in other Maghrebi countries than in Western countries. Return on Investment (ROI) is also valued higher in countries outside of the region.

In addition, many local angel investors developed their investment mindset during experiences abroad (professional or as part of the diaspora). This makes them well connected to other countries and well aware of how their markets work. Access to market is a key concern for start-ups that investors can help with.

Describing Diasporas Role in Connecting Regional Angel Investors

For diaspora members who are also angel investors, the most important indicator for investing in a project is the quality of the project, not its geographical location. However, personal and emotional interest also lead diaspora members to invest in their countries of origin.

For example, Tomi Davies, the CEO of African Business Angel Networks (ABAN), thinks that working with diasporas is a fundamental element of early stage investment in Africa. In addition to their emotional connection and willingness to help, diasporas usually have

- high-level of expertise with access to leading companies or start-ups
- Hard currency funds
- Easy access to international markets

These elements are advantages that have a positive impact on start-up scalability.

However, it is still rare to see members of Maghrebi

diasporas invest in start-ups from countries other than their own. Until recently, Maghrebi diasporas were more connected to their countries of origin rather than to the Maghreb region as a whole. In fact, the Maghrebi diaspora comes together to invest in Europe and Silicon Valley, as they are more connected in these geographies.

Furthermore, we are observing an emergence of Maghrebi 'elite' networks who are very well connected in Silicon Valley and in Europe. These groups are starting to claim their identities as "Maghrebis," not just citizens of one particular country in the Maghreb.

However, the Maghrebi diaspora tends to financially support fellow diaspora members, rather than their countries of origin. If directed to invest in the Maghreb as a region, diaspora members ideally provide seed funding, expertise, and access to market, all of which is much needed by early-stage Maghrebi start-ups.

The many advantages that the Maghrebi diaspora found in host countries led to the emergence of many Maghrebi start-up success stories (companies started and funded abroad). These entrepreneurs naturally looked to their countries of origin when building their teams, for back office expansion or for business process externalization.

2.3 Identified Barriers for Angel Investment in the Maghreb Ecosystem

Economic and Financial Barriers

Currency Exchange Laws

Currencies in the Maghreb are not convertible. Converting local currencies to foreign currencies is an extremely regulated process, which leads to:

- Difficulty using local funds for investing abroad (even between Maghrebi countries)
- Difficulty retrieving revenue or benefits from subsidiaries in Maghrebi countries (revenues are "stuck")

The Problem of Deal Flow

Despite recent "hype" around the innovation ecosystem, entrepreneurship and start-up cultures need to be further developed in the Maghreb. Indeed, the current number of start-ups in the Maghreb is not high enough to generate interesting investments.

Additionally, the start-up pipeline (i.e. deal flow) is very difficult to identify and to map, because there are no established tools or structured organizations to do so.

→ **In Morocco**, many investment organizations consider Moroccan deal flow to be underdeveloped, i.e. not meeting investors' demands. In 2017, the first angel investors network (Atlas) closed down, mainly due to the ecosystem's lack of readiness.

One solution to this issue was to open up to foreign deal flows, with a strong interest in Sub-Saharan African ecosystems. Moroccans tried to reach both Sub-Saharan start-ups and investors. For example, a Casablanca-based incubator, The Factory, organized various hackathons in Senegal and the Ivory Coast in order to feed the pipeline and succeeded in attracting 20% of their candidates from the Sub-Saharan region.

Despite various barriers, the Moroccan ecosystem has seen accelerated development lately. Moroccan Numeric Fund Angels (MNF Angels) identified up to 30 angel investments that occurred through its network since 2018.

→ **In Tunisia**, deal flow is also low, despite the many initiatives around start-ups and entrepreneurship. In 2019, 125 entrepreneurship programs and initiatives (incubators, competitions, trainings, etc.) were active.

However, there are only 650 to 700 start-ups in the country. This means that, on average, there are 5 start-ups per program. Carthage Business Angels, for example, warns that their deal flow is decreasing, and many incubators and accelerators are struggling to select start-ups for their latest cohorts.

→ **In Algeria**, deal flow is also to be developed,

especially since the idea of start-ups and entrepreneurship is still not widely integrated into the public arena. Initiatives around innovation and entrepreneurship are still government-led. They are considered as politically-motivated programs for the young population, rather than a business reality.

Angel investors in Algeria see that start-up ideas exist, however, very few of them become structured, small companies. There is only one known angel network in Algeria: Casbah Business Angels. However, we were not able to judge its state.

Lack of a Free Competitive Market Economy

In the developed world, major corporations play a positive role in developing start-up ecosystems through 'open innovation' or simply through service acquisition. In the Maghreb, however, big corporations create major barriers to entry. In many industries, big state-owned or private corporations have monopolies. They are the main suppliers and customers for other, smaller companies. Thus, they block wide-scale development.

For example:

- Payment delays can kill B2B-oriented (business-to-business) start-ups
- Big corporations' tendency to fully control successful start-ups rather than helping them to grow

In addition, if we consider the small market size and the administrative complexity, this reality can restrain small companies from growing or even from starting in the first place.

This situation prevents angel investors from investing in start-ups since the business climate is not favorable to new start-ups.

Legal Barriers

There are few countries or regions where legal frameworks are adequate for start-ups and investors; this is a global issue. Many countries

had to reform their laws in order to accommodate new ways of creating and investing in businesses. Advocacy is still one of the main objectives of regional angel investor networks such as EBAN (Europe). EBAN works closely with the European Commission in order to adapt legal frameworks to Business Angels investors' needs.

In the Maghreb, existing frameworks cater to traditional businesses and are too complex and slow for start-up development and investment. Start-up seed investments need to have simple, quick and very responsive legal processes.

Legal framework adaptation that caters to Start-Ups Act is happening at different paces within Maghrebi countries. For example, in Tunisia, the "Start-up act"¹ is a first step in developing entrepreneurship and seed funding in the country. However, further steps are needed:

- Simplifying procedures for multi-shareholders: still need new types of companies (SAS: Société à Action Simplifiée)
- There is no simple procedure for including the new funding rounds in the "legal capital of the company" and therefore its "valuation"
- There is no possibility to have stock options for employees

In Algeria, angel investors and entrepreneurs consider that lawmakers have a long way to go in order to make the ecosystem grow properly.

In Morocco, although the financial framework is more developed than in Algeria or Tunisia, there are no tax incentives for investing in start-ups. Also, the legal and administrative processes are very costly. For example, due diligence fees are sometimes up to 30% of the investment itself. The legal process fees can amount to 50%.

1- <https://www.start-upact.tn>

Administrative & Customs Barriers

In the Maghreb, investment processes are long and face bureaucratic barriers. Big corporations have the ability to surpass these barriers, but start-ups can easily be blocked (from lack of human resources, expertise, or connections), and their existence threatened because of such long-winded procedures.

These barriers impact angel investors as well. The needed paperwork may be seen as tedious (especially for busy entrepreneurs, C-level managers with limited time, etc.).

In Tunisia, for example, customs require the same level of paperwork for importing a container of spare parts for a factory as they do for a small device for a start-up's proof-of-concept. Start-ups have already expressed a need for expedited customs processes.

Social Barriers

Low Level of Awareness

The practice of angel investing and supporting early stage start-ups is relatively new for most investors. This is a global problem. Thus, "public awareness" is one of the main concerns for angel investor networks around the world.

In the Maghreb, until 2017, the lack of angel investment success stories made raising awareness challenging. A lack of media coverage for this kind of investment was another challenge. Most potential investors consider the start-up ecosystem as too complex or too "techy". They rarely hear about start-up ecosystem investment opportunities.

For example, in Tunisia, it is very common to invest in relatives' or acquaintances' projects (bakeries, textile factories, etc.). This can be considered as early-stage investment for small companies. However, investing in start-ups is still not common enough, because the practice is not well established or understood. Since 2018, we have observed a new phase in angel investing in Tunisia. One Tunisian angel investor freely claims that that he got a Return of Investment (ROI) of 500% in 18 months.

In Algeria, very few investments exist outside of informal structures. Investing in start-ups tends to be considered as a state activity.

In Maghrebi countries, angel investors' ROIs are more financially rewarding than other usual investments (double digit ROI vs. ~5% via banking), but still, investors do not think of providing seed funding from the start.

Cultural Investment Secrecy

Unlike behavior in the West, North Africans are not keen to talk about their investment successes ("vivons bien vivons cachés!"). Coordinators of angel investor networks complain about not knowing the exact number of investments made by their members - how many investment tickets, average value per ticket, average ROI, etc.

Many angel investors prefer to invest anonymously or outside of formal networks, in start-ups or SMEs. Although this is a global issue (EBAN, MBAN, etc), in the Maghreb, until very recently, angel investing was mostly done in the dark (facts and figures are secret).

Some local business angel network members prefer not to explicitly declare interest in start-ups during networking events. However, they contact and negotiate with start-up teams on their own, outside of the networking context.

This made MNF Business Angels, for example, exclude funding start-ups from its measurable KPIs. The network focuses instead on coaching and mentoring start-ups and connecting them with potential investment opportunities. In fact, they believe that this kind of behavior discourages shared investment.

Risk Aversion

Risk aversion has a very negative impact on start-ups: it sometimes kills the project. Still, Maghrebi states are not addressing risk issues.

Maghrebi states and public institutions are still the main investors in local economies; they show a general preference for investing in low-risk

activities. Only a few family businesses have grown to become success stories. And even then, these businesses usually invest their savings in low-risk areas, such as real estate and agricultural land.

Therefore, in the Maghreb, new investment opportunities are not understood or welcomed by small investors or family ventures. Celebrating angel investment successes will help in removing this risk adversity and could encourage family ventures to join angel investing networks.

2.4 Identified Levers for Investing in the Maghreb

Economic and Financial levers

A Large Market

The Maghrebi market represents an extraordinary opportunity for any business. In fact, Morocco, Algeria and Tunisia represent a market of 88 million people, which is more than Germany. Greater Maghreb (Central Maghreb, Mauritania and Libya) represents a market of 100 million people.

Despite the barriers to conducting business in the region, entrepreneurs and angel investors are aware of this opportunity. Additionally, the market is considered to be easily accessible when it comes to product adoption:

- Related Arabic dialects and widespread usage of French in the Central Maghreb
- Similar cultural values and traditions
- Similar socio-professional structures and social needs

It is a somewhat homogeneous region, which simplifies market studies and evaluation.

Easy Access to Hard Currency Funds through Diaspora

The Maghreb has a massive diaspora, especially in Europe. The population is estimated to be around 10-15 million abroad. This group is very linked to

their countries of origin and participate in their economies.

This diaspora has elites who started to be active in their host countries start-up ecosystems as well as those of their home countries. We observe, since 2018, that diaspora members have the ability and the will to develop local entrepreneurship. (cf. section 2.3). For example: Yusufleet, Yassir, TravelCar, etc.

Tunisian Start-up Act

In Tunisia, the "Start-up Act,"² an innovative legal framework, started as a bottom-up approach in 2016 and was adopted in 2018. This law makes administrative procedures that address start-ups' specific needs, such as the need for hard currencies or accelerated procedures.

The "Start-up Act" has many advantages; some of them are specific for investors:

- Tax incentives and tax relief
- Exemption from tax on capital gains
- Ability to invest via contributions-in-kind
- A Start-up Guarantee Fund
- Various financial tools

The Start-up Act was a great leap that highlighted the start-up ecosystem and its needs. It also encouraged other Maghrebi ecosystems to react and work towards equivalent local frameworks.

For example, in Morocco, some initiatives are pushing lawmakers to set up incentives that encourage investing in start-ups, such as the "fiscal package," suggested by the leading private sector association, CGEM.³

In Algeria, angel investors clearly identify a similar "Start-up Act" as one major initiative that can free the start-up ecosystem development from cumbersome administrative and legal processes.

2- <https://www.start-upact.tn>

3- Medias 24 - Start-ups : Le package fiscal défendu par la CGEM - <https://www.medias24.com/start-ups-le-package-fiscal-defendu-par-la-cgem-1845.html>

Logistical Levers

Emergence of Innovation Infrastructure

In the last five years, incubators, accelerators, and coworking spaces have flourished in Morocco and Tunisia; they represent a good opportunity to identify and professionalize start-ups. Lately, these structures have started to specialize in specific industries or approaches (agriculture, creative industries, social entrepreneurship, etc.).

They have also succeeded in spreading awareness about the entrepreneurship ecosystem, since they are constantly looking to identify new start-ups.

Support from International Organizations

International organizations have an important role in helping local ecosystems to develop:

- International cooperation institutions support initiatives that lead to employment and economic independence opportunities
- Supporting Cross-regional innovation-related organizations

These organizations are involved in the entire innovation process, from ideation to investment. They have helped to create incubators, training sessions, or regional innovation awareness programs. Lately, they have started to work on supporting investment.

For example, the GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit – Germany) helped the Moroccan Ministry of Economy and Finance to launch programs aiming to build Moroccan angel investor networks.⁴

In Tunisia, the Carthage Business Angel Network has partnered up with many international institutions, such as the USAID, the GIZ, and the AFD (Agence Française de Développement – France), to co-implement several programs dedicated to entrepreneurship promotion.

In Algeria, the Casbah Business Network was created with the close help of EBAN (European Business Angel Network), who shared their know-how and expertise.

Social and People Levers

Sense of Commerce, Resource Management and Mobility

In the past, there were many different mindsets regarding investments in the Maghreb. Coastal cities have a history of working in commerce. These regions (Tunisian coastal cities, northern Morocco and Algeria, etc.) are used to connecting with foreign groups and establishing commercial partnerships. This history has helped foster an investor and risk-taking mindset. On the other hand, interior regions are used to being more careful about investment and risk. This population tends to think about resource management and risk assessment.

The variety of perspectives on this topic is key to understanding that the Maghrebi population is ready to create, invest, and manage new companies.

Despite state policies that refrained these populations' investments in the late 20th century, many people still have this interest and are able to pass it down to younger generations.

In addition, Maghrebi populations are used to mobility and interaction with foreign cultures, in part because of the large diaspora.

Growing Hype around Start-ups and Innovation and Recent Successes in the Maghreb

International success stories such as Facebook, Uber, Jumia, and Careem promote innovation and entrepreneurship. This narrative impacts the youth of the Maghreb as well. Investing in the start-up ecosystem is becoming more attractive to some groups, like managers of innovation-oriented departments in big companies. Naturally,

entrepreneurs are an important group of professionals to consider as angel investors. Their main incentives are:

- Re-live the entrepreneurship experience
- The desire to give back
- Networking with new entrepreneurs

Many success stories emerged in the Maghreb, such as Yassir (Algeria), Chifco (Tunisia), and Markoub.ma (Morocco). These success stories put a spotlight on entrepreneurship, innovation, and early-stage investment.

4- Medias 24 - Financement : Vers la structuration des réseaux des Business Angels - <https://www.medias24.com/financement-vers-la-structuration-des-reseaux-des-business-angels-980.html>

3. Analysis of Maghreb Start-ups' Angel Investment Needs

3.1 Promoting Entrepreneurship

Interest in entrepreneurship is growing in the Maghreb. However, it is still to be developed, in quality and quantity. Investing time and money in start-ups is risky for both entrepreneurs and angel investors. Therefore, one of the tasks of angel investor communities is to encourage innovators at the idea-phase to “take the plunge” and launch start-ups.

Algeria

Algeria still needs to promote innovation and entrepreneurship. This promotion should not only focus on innovation (ideation competitions) but also push for viable start-ups. Incubators and accelerators are some of the main tools to develop projects into more than just ideas. In order to attract angel investors, the Algerian start-up ecosystem needs not only to increase project number but also raise the quality of deal flows (cf. 2.2).

Morocco and Tunisia

In Morocco and Tunisia, interest in innovation has already turned many people to become entrepreneurs, since the beginning of 2010.

For example, in Tunisia, people consider entrepreneurship as an attractive career option in comparison to working in SMEs (70% of Tunisians prefer working in start-ups or SMEs over being a public agent)⁵. In Morocco, the Global Entrepreneurship Monitor (GEM) index improved significantly from 2017 to 2018, evolving from 5.6% to 8.8%⁶.

However, the number of start-ups is still insufficient due to a lack of promotion and risk-aversion. A lack of entrepreneurship skills is also a major barrier.

Morocco and Tunisia will both likely face a decline in interest in the coming years. The Tunisian start-up narrative is still constrained to the same local success stories; Morocco did not improve its GEM index in 2019⁷.

Angel investors have a role to play in maintaining and fostering interest in innovative entrepreneurship.

3.2 Mentorship and Professionalization

Promoting entrepreneurship is the first step towards building a healthy start-up ecosystem. Until now, the ecosystem mainly served to promote ideation, but lacked the tools necessary to convert ideas into successful, sustainable businesses. Local ecosystems need to be professionalized and supported by experts in order to increase the quality of future and existing businesses. An angel investor is a mentor, first and foremost.

Algeria

Local angel investors in Algeria are aware of the limits of the publicity surrounding entrepreneurship. As investors, they still don't believe that the current start-up ecosystem, as is, is strong enough to scale up. They think that the large majority of start-ups still don't have the capacity to transform into real companies (work processes, structured business plans, etc.)

Angel investors need to help the local ecosystem to set up incubation and support platforms to professionalize the local deal flow. These platforms will also facilitate access to mentoring, which is a key role of angel investors. On a side note, many high-level Algerian investors already work on incubators and accelerators as part of their angel investment developing plan, but no noticeable players have emerged until now.

Morocco

Despite its growing start-up ecosystem, Moroccan angel investors still think that the local deal flow maturity is not advanced enough. This is one of the reasons why Moroccan organizations target foreign ecosystems, specifically in Sub-Saharan Africa, in order to increase their deal flow.

It is important to note that some Moroccan start-up support organizations opened up their programs to other Maghrebi start-ups, the way they did with other African countries. However, they found that the “imported” deal flow from Tunisia and Algeria wasn't mature enough to be accepted. The most mature start-ups were already in their local ecosystems.

Tunisia

Tunisia's interest in entrepreneurship in 2017–2018 led to an increasing number of start-ups, which pushed many entrepreneurs to improve upon their skills (building a viable project, strong business plans, etc.). However, this improvement is limited to Tunis, the capital, where most major initiatives occur. Other regions in the country are following suit, with projects and ideas, but they also need to be professionalized. This would improve the quality of deal flow for angel investors.

3.3, Angel Investors Awareness and Role Clarification

As discussed in previous chapters (cf. 2.2), risk aversion and lack of information about investing

opportunities are important barriers to funding projects at an early stage.

This has an indirect impact on start-ups: entrepreneurs struggle to meet angel investors that feel involved into the innovation ecosystem.

Furthermore, there is a general confusion about the various types of supporters: venture capitalists (VC), funds, investors, corporate investment, and angel investment. This sometimes leads entrepreneurs to target investors that are unsuited to their current needs or level of maturity.

There is a need to promote the concept of early-stage investment, among both investors and entrepreneurs.

Algeria

The Algerian business climate is considered to be difficult by its locals. Algeria is ranked 157th in the Doing Business Index (World Bank), and local investors insist that it is a complex field to enter into. These factors make investing opportunities in fields like real estate more attractive to investors. Very few invest in businesses, which makes the likelihood of investing in start-ups even smaller.

Tunisia and Morocco

The idea of entrepreneurship is widespread amongst the population. From 2010 onward, many start-ups emerged which led to important reforms in legal frameworks, specifically in Tunisia.

This situation encouraged venture capitalists (VC) and different types of funds to invest in start-ups. However, new mindsets haven't impacted early stage investors yet. Even well-structured start-ups struggle to find investors to provide seed funding, and many of them fail due to a lack of mentorship or early investments. Angel investors come mainly from three groups:

- Current or former entrepreneurs

5- Express FM – Expresso – 04/09/2019 – UTICA Study

6- www.lematin.ma/journal/2018/entrepreneuriat-maroc-ameliore-classement-niveau-mondial/286591.html

7- www.lematin.ma/journal/2019/taux-dactivite-entrepreneuriale-se-stabilise-67/309894.html

8- Ease of Doing Business rankings – World Bank – <https://www.doingbusiness.org/en/rankings>

- High level or C-level corporation managers
- Diaspora or former diaspora

This probably explains the lack of awareness among populations that are not naturally exposed to the concept of angel investment.

Still, there is much confusion around different types of investment, between VC and angel investors, for example. This is due to the size of the ecosystem, which forces many different players to target the same small deal flow (cf. 2.2). This has led some start-ups to:

- fail to find investors (as they are too small, not mature enough for a VC approach, unstructured evolution due to the lack of early investments, etc.)
- or find investors that
 - are not supposed to walk the start-up through its growth (VCs)
 - absorb the start-up too early on, without letting it mature (Corporate)

Start-ups need to connect with angel investors early on in their development. Investors should be aware of the importance of intervening at an early stage of a company's life cycle.

3.4 Flexibility in Financial Transactions

Innovation and entrepreneurship in a globalized, digitized market requires a certain level of flexibility when it comes to financial transactions, for investments or operations (e-commerce, micro payment, etc.). Every country in the Maghreb has its own monetary strategy that has major impacts on local entrepreneurship and also the ability to create a common innovation market. However, two common traits can be highlighted:

- Even if they are at different levels of convertibility, currencies in the Maghreb are not open. This means that any international transaction needs to be submitted for administrative validation.
- E-payment is still underdeveloped; cash is still the norm.
- **A common strategy for the three countries, specifically within the start-up ecosystem, may lead to easier interregional transactions and more access to markets.**

Algeria

The Algerian dinar is not convertible. Furthermore, the legal framework around currency exchange is very difficult. It is almost impossible to retrieve value from an investment made in Algeria to use abroad. This constrains foreign angel investors while investing in Algerian start-ups.

Morocco

Morocco's currency is likely the easiest to work with.⁹ The Moroccan dirham is progressively opening up, which encourages foreign investment. Regarding e-payment, Morocco made an effort to set up the necessary tools to develop a thriving e-commerce and digital payment ecosystem. However, levels of electronic payment usage are still low.¹⁰

Tunisia

Monetary policies in Tunisia have not changed much since 2011, but they have become more complicated from an administrative point of view. Converting the Tunisian dinar is very constrained, even though it is legal in some specific cases. This makes investment, as well as provisioning, very challenging (i.e. using international tech services, getting advanced hardware, etc.). However, the "Start-up Act" helps "certified" start-ups convert

currencies. E-payment is still developing in Tunisia, with a relative rise in e-commerce in the last three years. The level of electronic payment services/usage is still low (7%, according to the Central Bank).

3.5 Better Investment Process and Legal Frameworks

Administrative and legal processes are bureaucratic in all three countries of Central Maghreb, but at different levels. Bureaucracy impacts the time and cost of developing. It may also be discouraging for entrepreneurs and investors.

These processes have not been inspired by systems in countries like the US, which help, rather than hurt, early-stage businesses.

- **Pushing for "Start-up Acts" could foster a dynamic start-up ecosystem that attracts investments.**

Central banks' initiatives¹¹ may push for frameworks specific to start-up ecosystems.

Algeria

Bureaucracy is identified as a major constraint during a start-up's first steps. Starting from 2010, an entrepreneur could wait 3 years to officially launch a start-up. Thanks to incubators' support, this process has been sped up; it now takes 4-5 months.¹²

Angel investors are equally impacted. Long administrative processes and unclear legal frameworks discourage potential angel investors. All types of investments suffer from bureaucracy.¹³

Morocco

Morocco is preparing an investment package to encourage investment in the start-up ecosystem.¹⁴ The main benefits are:

- Less paperwork and faster processes, (i.e. a less expensive legal process, which, today, can amount to 50% of the investment ticket, cf. 2.2)
- More tax incentives related to innovation investment

Tunisia

Tunisia has already signed off on the Start-up Act, which simplifies many administrative and legal procedures. However, general investment legal frameworks are still not adapted to international best practices. For example, the current legal framework doesn't take into account the concept of funding series and its impact on capital increase. Other legal mechanisms should serve to simulate investments (for example, through shareholder agreements).

3.6 Greater Access to Inter-Maghrebi and Foreign Markets

Start-ups and investors, angel investors included, are aware of the potential that lies in the Central Maghreb, with its population of over 80 million (cf. 2.2).

Despite the barriers to entry, solutions can be found for administrative, legal, or monetary issues in order to expand a local start-up's arena to a regional scale. For example, a Tunisian start-up can already develop in Tunisia, thanks to Tunisian support and mentorship. It can also expand into Algeria and Morocco, if it has the same amount of

9- Le Monde - Le Maroc assouplit le régime de change du dirham pour gagner en attractivité - https://www.lemonde.fr/afrique/article/2018/01/15/le-maroc-assouplit-le-regime-de-change-du-dirham-pour-gagner-en-attractivite_5241933_3212.html

10- Hespres - Monétique : Où en est le Maroc pour ce qui est des modes de paiement - <https://fr.hespress.com/52100-monetique-ou-en-est-le-maroc-pour-ce-qui-est-des-modes-de-paiement.html>

11- <https://www.leconomistemaghrebin.com/2019/06/26/integration-maghrebine-pourrait-se-faire-travers-banques-centrales/>

12- Wamda - La culture des start-ups en Algérie: une stratégie bottom up - <https://www.wamda.com/fr/2017/02/algeria-start-up-culture-rising-french>

13- TSA - Comment la bureaucratie et la pression fiscale tuent l'investissement en Algérie - <https://www.tsa-algerie.com/comment-la-bureaucratie-et-la-pression-fiscale-tuent-linvestissement-en-algerie/>

14- HuffPost - Le Maroc pose les jalons de son "start-up act" - https://www.huffpostmaghreb.com/entry/le-maroc-pose-les-jalons-de-son-start-up-act_mg_5c13c600e4b0860b8b5d9786

support from local expertise. As well as simplifying inter-Maghrebi investment and start-up creation processes, local start-ups need mentorship that bridges countries in the Maghreb.

Expertise that bridges countries in the Maghreb can be shared through digital platforms, such as online seminars. Angel investor networks that cover large territories have developed best practices regarding the implementation of such actions.

Algeria

In Algeria, investment and start-up creation is very constrained by the existing legal frameworks in place. However, some strategies exist. For example, one major success story - Yassir (mobility start-up)

- expanded from Algeria to Morocco and Tunisia, after setting up facilities in Palo Alto, California. Diaspora and foreign investments may trigger cross-Maghrebi opportunities, since they avoid local road blocks.

Morocco

Morocco has developed tight relationships with countries in Sub-Saharan Africa. This has helped a lot of start-ups and investors to expand and scale up businesses. However, there is still little market expansion into other countries in the Maghreb. There is no known Moroccan start-up that has extended into the Tunisian or Algerian markets.

Tunisia

The Tunisian diaspora has led the way with regards to global scalability. Many examples, such as TravelCar (Mobility) or The Fabulous (Behavioral Coaching), even if they are technically European or US start-ups, were created by Tunisian entrepreneurs. On the other hand, some Tunisian start-ups prefer expanding into Europe or the US before trying out the Maghrebi market, because they have the incentives to do so. For example, Dabchy (retail) chose to expand to France since they are mentored by the leading French e-commerce retailer, Showroomprivé.com.

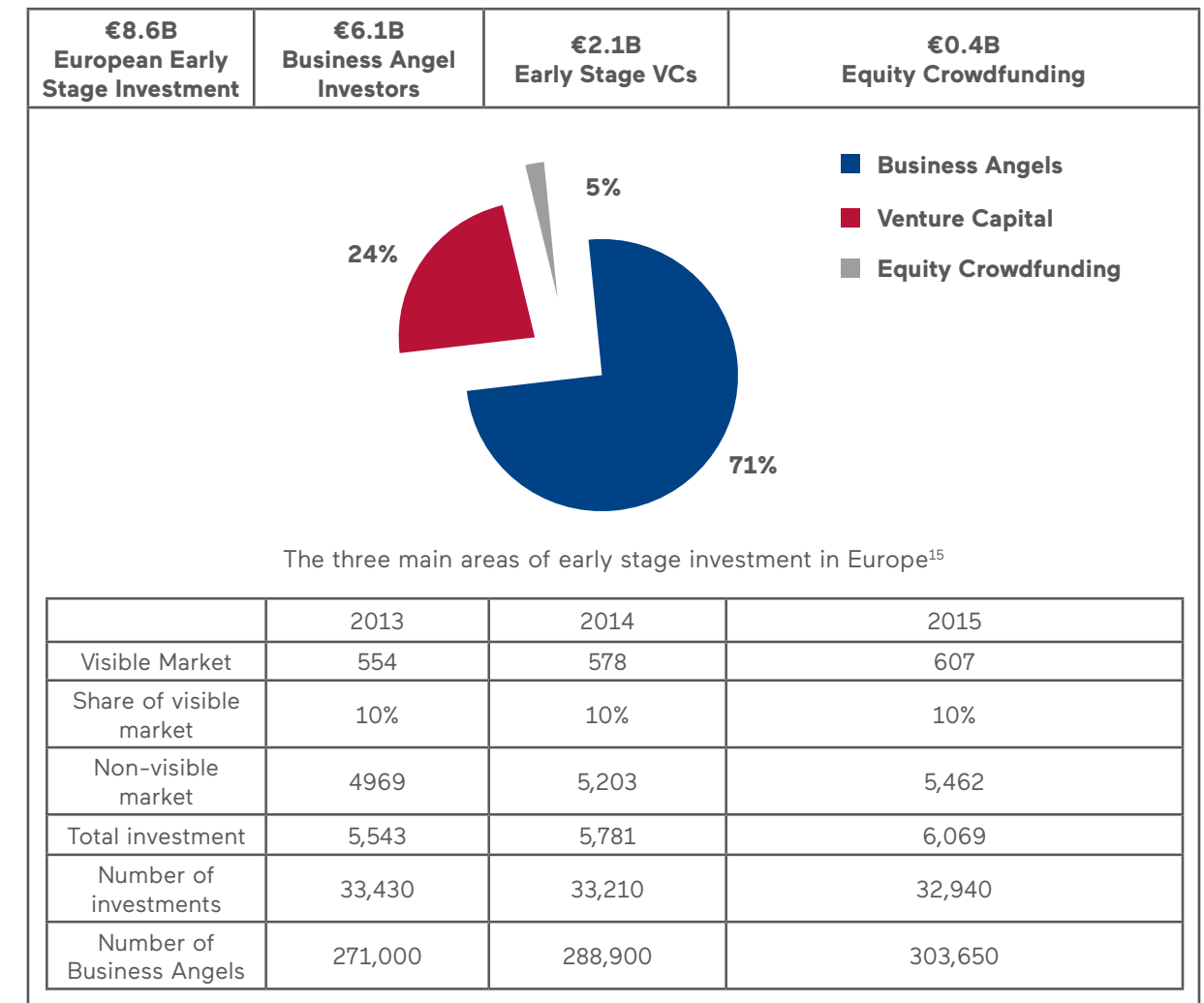
Few incentives push Tunisian start-ups to expand to other Maghrebi countries, despite the evident market opportunities.

Coordinating incentives between countries in the Maghreb may lead to regional opportunities that can compete with other regions.

4. Benchmarks of other Regions

4.1 Europe

Even if the US is the leading Western country when it comes to angel investors, Europe has been improving since 2010 in this category.



15- EBAN - European Early Stage Market Statistics 2015

Public Sector – European level

In 2012, the European Commission financed a study to evaluate angel investors in eight European countries. The main recommendations of this report are:¹⁶

- Collect data from visible market (declared angel investments) and non-visible markets (transactions hidden from the ecosystem)
- Improve policies, eliminate inhibitive regulations, and take into account angel investors' needs in financing early stage companies
- Support angel investors' activities through:
 - Raising awareness
 - Assisting in the creation of Angel Investor Networks
 - Set up mechanisms to prepare projects for investment

The Commission clearly identifies this as an important issue and encourages local authorities to help angel investors pursue their professional activities.¹⁷

Angel Investor Networks

Many networks exist among angel investors in Europe. Two angel investor networks in France, for example, are Sofia Business Angels and Paris Business Angels. Some networks connect angel investors from around the entire country, such as France Angels. Business Angels Europe and CEEBAN (Central and Eastern Europe) are two networks that include several European countries.

EBAN is one of the most important networks in Europe, with a wide range of members in the European Union and beyond. EBAN is a nonprofit association that gathers together angel investors, angel networks, federations of networks, and other entities involved in early stage investments in Europe.

Since its founding, EBAN has had a strong relationship with the public sector. It was established by angel networks and the European Association of Development Agencies (EURADA) in 1999. The European Commission also helped to establish the organization. Its headquarters are in Brussels, and it is still linked to the EU, mostly through partnerships like events, programs, research, etc. EBAN's main goal is to represent and develop their ecosystem through 5 main activities:^{18/19}

- Maturing the ecosystem: setting professional standards, training, and certification
- Linking the ecosystem: benchmarking, research, and networking with peers
- Defending the ecosystem: lobbying
- Expanding the ecosystem in Europe: raising awareness and building capacity
- Expanding the ecosystem internationally: cross-border syndication and co-investment support

EBAN has expanded its focus beyond the angel investment phase. Its work now includes stages that occur before and after seed funds from angel investors.

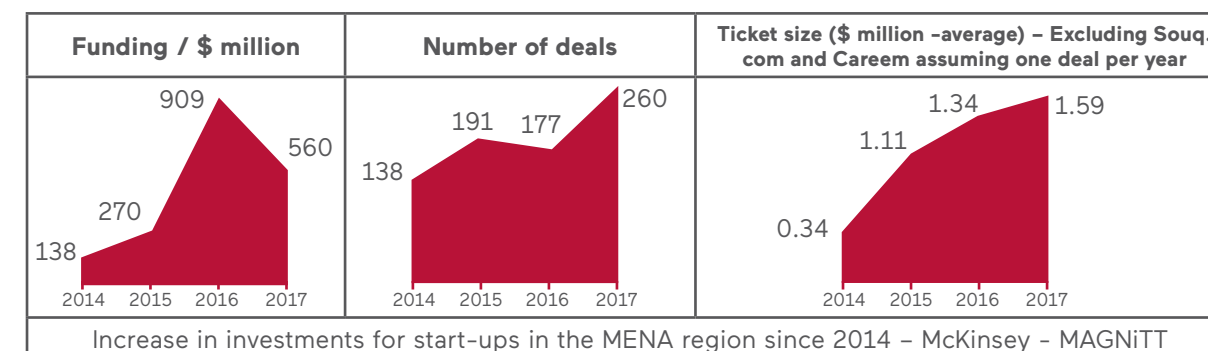
4.2 Middle East

The Middle East and North Africa (MENA) region is one of the most digitally connected regions (88% of the population uses the internet every day). However, despite this massive market, only 8% of SMEs have a presence online.²⁰ Unlike in North Africa, ecosystems in the Middle East developed earlier, with a specific focus on GCC countries, Egypt, Lebanon, and Jordan. Easier access to funding is one factor that helped these ecosystems. From 2015 to 2017, the number of investors in the MENA region increased by 30% and total funding increased by more than 100%.²¹

In recent years, many start-ups have found success, thereby encouraging other people to join the field. For example, Careem (Mobility) was bought by Uber, its international equivalent and competitor, for \$3.1 billion dollars. This acquisition brought Careem's angel investors (Series A) a 100x return on investment.²²

alliance of leading angel investor networks across the MENA region. MAIN's role is

- to strengthen the MENA region and make it a single, unique market
- facilitate syndication between networks and syndicate deals



Angel Investor Networks

Thanks to relatively developed ecosystems, many angel investor networks have emerged in countries (Lebanon Angels Investors, Dubai Angel Investors, Cairo Angels, etc.) and also to link countries (MAIN, MBAN). Diasporas were key in creating and developing these angel investor networks.

In the following sections, we present two examples: Cairo Angels and MBAN.

Cairo Angels and MAIN

Cairo Angels was created by Aly Shalakany, a Canada-based Egyptian entrepreneur. Cairo Angels was founded in 2012 and made 25 investments amounting to \$3.5 million dollars. Its first investment was done 9 months after its launch. The network is mainly focused on the MENA region, with more than 65 members across international chapters. Fifty percent of its members are based outside of Egypt.²³ Cairo Angels is part of MAIN, which is an

It also organizes Angels Oasis, an event that brings together angel networks, groups, and funds, as well as individual angel investors from across the Middle East and North Africa. The event offers trainings, networking, and panels about the major topics that impact regional angel investors.²⁴

MBAN (MENA Business Angels Network)

MBAN was created in 2014 in the UAE and is modelled off of the European Business Angel Network (EBAN) with the purpose of bringing together all stakeholders in the start-up ecosystem: limited partners; venture capital, seed, and angel investors; incubators; start-ups.²⁵

MBAN is closely connected to EBAN, which opens up opportunities for both European and Middle Eastern angel investors. MBAN benefits from EBAN's experience and shares the same goals and methodologies. MBAN aims to initiate an interregional fund of \$150 million dollars. It's

16- EU Commission – Evaluation of EU Member States' Business Angel Markets and Policies – Final report

17- EU Publications – Guidebook – Fostering business angel activities in support of SME growth

18- EBAN – Who we are : <http://www.eban.org/about/who-we-are>

19- EBAN Activity Report 2018

20- Wamda – How investors can support entrepreneurship in the Middle East and North Africa

21- Idem

22- Arabian Business – Careem angel investors make 100x return on investment

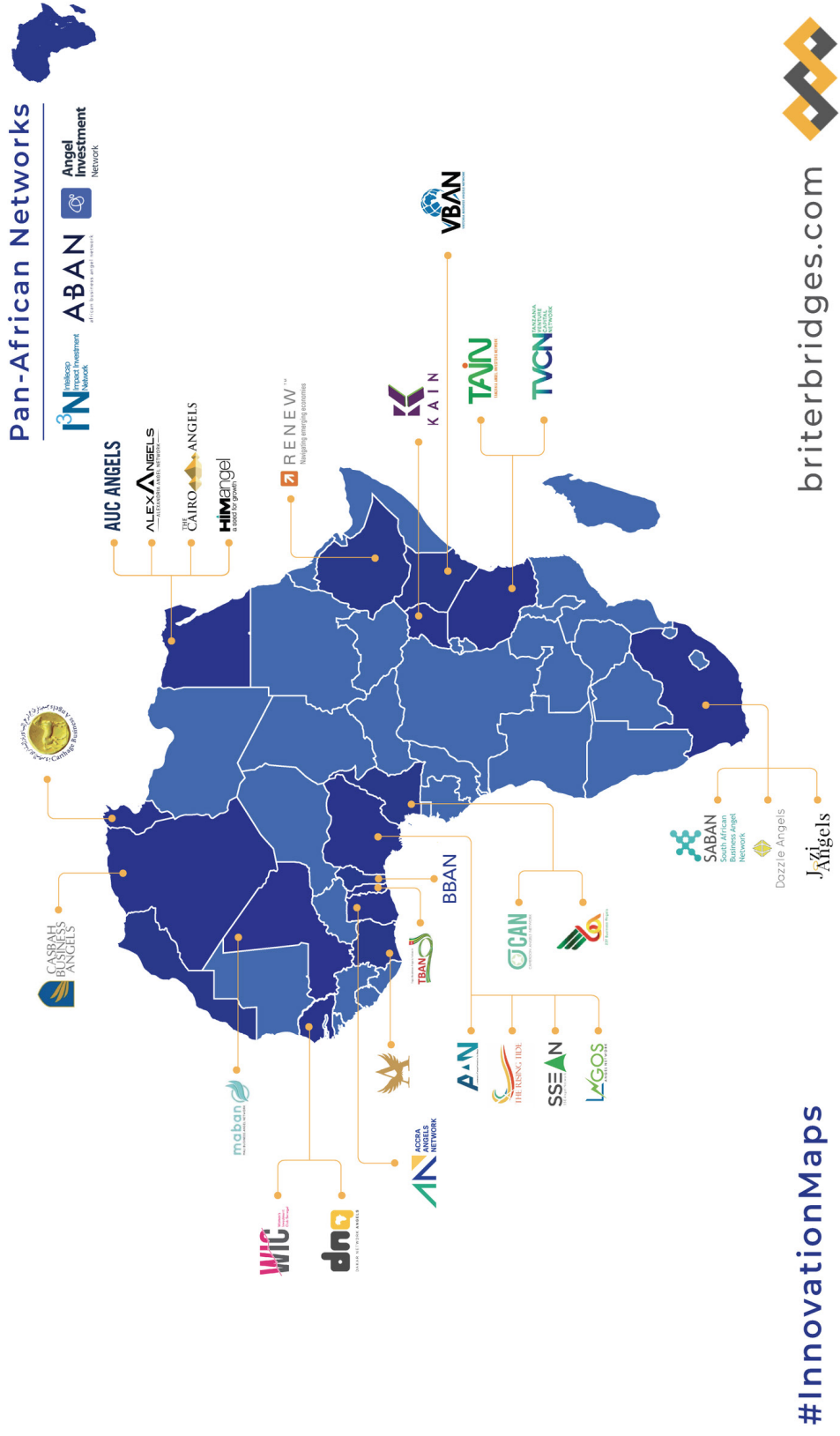
23- M. Aly Shalakany presentation during Flat6Lab Tunis' Investor Academy – August 2019

24- Wamda

25- MBAN presentation – m-ban.org

Main African Angels Networks

Q2 2019



important to note that MBAN focused mainly on Mashreq when its activity slowed down in 2015.

4.3 Africa

The African continent is seen as one of the most promising regions thanks to its young population and its massive growth potential. The continent's young population makes it an important entrepreneurial ecosystem.

The global Information Technology industry has been estimated to be worth \$3.8 trillion dollars; the African continent is ripe for development, filled with start-ups in need of financial support and guidance. These entrepreneurs are building companies that are providing jobs to Africans and tax revenue to their national governments.²⁶

Like anywhere else in the world, African start-up ecosystems need to connect with capital and angel investors to grow further. Many angel investor groups emerged in specific countries or across several countries in order to address this need. As a result, 159 African tech start-ups were funded \$195 million dollars in 2017 (+51% compared to 2016).²⁷

Angel Investor Networks

Despite not being the first 'Business Angels' network to emerge, the African Business Angel Network (ABAN) is one of the most important groups working on early stage funding. ABAN was founded in Helsinki in 2014. Like MBAN, ABAN was launched with the help of EBAN.

ABAN started as a consortium of existing networks: Lagos Angels Network (LAN), Cameroon Angel Network (CAN), Ghana Angel Investor Network (GAIN), Venture Capital for Africa (VC4Africa), and Silicon Cape. ABAN's mission is to help quantum leap early stage investing in Africa by providing the support, networking opportunities, and essential resources to Africa's Angel Investing networks

needed to maximize their impact.²⁸ The network established objectives for a period of two years:

- Grow member networks to collectively represent 2,000 active African Angel Investors
- who jointly invest \$100 million dollars in 500 companies per annum
- Help to create over 10,000 jobs
- Develop support infrastructure to maximize impact, and
- Represent African early stage investors on the global stage

When it comes to activities, ABAN follows EBAN and focuses on:

- Awareness Building
- Capacity Building
- Making Investing Easier: help develop new instruments, lower barriers to entry, and help more investors become actively involved
- Advocacy: represent angel investor networks and early stage investors across the continent; work with governments and other regulators to stimulate early stage investing, lobby for tax incentives, or similar schemes.
- Cross-Pollination
- Helping to launch new networks²⁹

26- Tomi Davies – Business Angels in Africa
 27- DISRUPT AFRICA TECH start-ups FUNDING REPORT 2017
 28- ABAN - abanangels.org
 29- ABAN - abanangels.org

5. Creating a Network for Angel Investors

5.1 Objectives

A network for angel investors in the Maghreb would have two main high-level objectives:

- Investment: Angel investment in start-ups in the Maghreb
- Advocacy: Promote and lobby for early angel investment activities to support entrepreneurship and innovation in the Maghreb

These two high-level objectives should be treated separately from the start. At a later stage, the two objectives can be assigned to two separate organizations (the first an investment organization, the second a trade association).

Investment: Angel Investment at the Regional Level

This part of the organization is responsible for investments for start-ups. It requires:

- The creation of an investment process, which includes detailed procedures, standardized legal documentation, special financial services to facilitate diaspora investments
- Deal flow sourcing: ensure that there is relevant and sustainable deal flow sourcing to keep members of the network interested
- Support investment processes: legal and administrative
- Follow up with the start-ups that received investments (mentoring, updates, etc.), including at the exit stage

In order to assess this objective, the network should follow these key performance indicators (KPIs):

- Number of deals sourced
- Number of meetings between members and start-ups
- Quality of the events
- Number of start-ups invested in
- Number of follow-ups on investment

Promote and Lobby for Angel Investment Culture and Interregional Maghreb Investments

This part of the organization will take into account:

- Raising awareness among the diaspora network about angel investments
- Identifying potential members of the network
- Promoting entrepreneurship culture in the Maghreb, with a focus on regional investment
- Lobbying to local and regional public and private institutions to facilitate angel investments

In order to assess this objective, the network should follow these key performance indicators (KPIs):

- Number of new members
- Number of high level / C-level meetings / events
- New laws and tax incentives

5.2 Priority Actions to Create the Network

Connect to Influential Potential Angels, Especially Among Diaspora and Family Members of diasporas and family units are two important groups representing major assets to be leveraged by the start-up ecosystems in the Maghreb.

A Maghreb angel investors network must connect with diaspora members in order to be relevant and efficient, seeing as diasporas provides access to expertise, new markets, and hard currencies difficult to obtain in the Maghreb.

Action plan:

- In order to attract diaspora members to join MBAN, we need to run a series of MBAN awareness conferences in partnership with Maghrebi diaspora organizations worldwide. These conferences will highlight successful start-ups as well as successful angel investors. Most diaspora networks are specific to one country; however, they are connected with other, neighboring countries. We will target networks in 5 regions (more active than others): the UK, France, Germany, Canada, and Silicon Valley.

- A similar approach should be deployed to reach family offices. Similar MBAN 'awareness sessions' should be conducted with the top 20 family offices in each of the 3 countries. This will be done with the support of local angel investor networks and/or incubators and accelerators.

- Connect with and get support from regional angel networks (WBAF, EBAN, ABAN, MAIN, MBAN, etc.) in order to identify diaspora members that can be part of the network. Partnerships will also help to exchange information and learn best practices.

- Collect Letters of Intent from potential members who commit to invest a minimum amount per year

- Create a Maghreb-wide Special Purpose Vehicle (SPV) for investment purposes

- Set up a small MBAN office to execute the plan

- Promote and communicate about MBAN (diaspora media channels, conferences in cities with major Maghrebi diaspora concentration, etc.)

Raise Funds

Upon the creation of the network, and with the support of the first 50 or so MBAN members who signed the 'MBAN chart,' a seed fund will be

established from those who made "investment promises." Since the Maghreb has complex monetary policies that render transfers between currencies difficult, the fund should be raised in hard currencies (US Dollar or Euro).

In order to raise this fund, the network should:

- Reach out to current and former diaspora members
- Establish an investment matching mechanism in partnership with finance institutions

The fund should be based outside of the Maghreb to simplify financial transactions. Options include countries with large Maghrebi diasporas: France, the Netherlands, Belgium, Germany, etc.

However, there is also a chance that the fund can be housed within the region, seeing as central banks within the Maghreb have been making agreements since 2019. The fund may be able to avoid monetary constraints this way. Tax and legal experts will advise the fund's management in order to define and build the optimum structure.

Connect with Deal Sourcing Organizations

As a regional structure, a Maghrebi angel investors network should not be supported by its own deal sourcing structure, such as an incubator. This precaution is to prevent bias, in the case that the incubator focuses on one country more than another.

The network should set up partnerships with as many ecosystem players (incubators, accelerators, innovation competitions) as possible in order to have a quick access to deal flows. By pooling all the start-ups identified by the main ecosystem players, the network will be able to identify an interesting deal flow for its members. In return, these organizations will open their start-ups up to greater investment opportunities and new markets.

Create a Legal Structure and Headquarters

The Maghreb Angel Investors Network should have a legal entity that represents it. Understanding the different legal structures in the Maghreb is an

important step in ensuring that all members of the network can connect. Some potential legal structures:

- A network of local associations based in major Maghrebi and/or diaspora cities – each branch shares the same name and process. Activities that require a physical base will be allocated among the entities.
- One association in a city outside of the Maghreb which affords the network with administrative flexibility when it comes to managing the network’s activities, specifically financial transactions

In addition to the legal entities, the network should have a headquarters. The location could be:

- a Maghrebi city (but may introduce biases between local ecosystems)
- a diaspora city (Paris, Brussels, etc.), close to elite diaspora investors. However, this move could be perceived as a dependency on a Western country that already has strong ties to the Maghreb
- a more “neutral” city that has less of an established link to the Maghreb. However, it may disconnect the offices from the field of work.

For example, EBAN’s offices are in Brussels (close to European Commission, simplifying interactions with regional makers). The ABAN office is in Mauritius, which is considered to be one of Africa’s major investment hubs. The headquarters will need to:

- Assist the board in its activities and build strategies and action plans
- Manage and aggregate deal sourcing
- Organize deal flow selection and presentation for the network members
- Organize events and conferences
- Manage angel investor recruitment and membership

5.3 Potential Members

During this study, more than 20 senior investors (diaspora and local) expressed their interest in joining the network, once it’s fully-developed.

These investors are ready to commit as soon as the network is officially launched. This commitment will include:

- Financial contribution (~ \$10,000 dollars)
- Commitment to mentor
- Investing, through the network, in at least 10 start-ups during the first two years.

This is some data about potential investors who provided basic information about their investment background. For privacy reasons, personal details have been anonymized.

	Number of start-ups already invested in as an angel investor	Country of origin
1	15	Tunisia
2	10	Tunisia (Diaspora)
3	+10	Algeria (Diaspora)
4	+10	Tunisia
5	+5	Morocco
6	Interest to start	Algeria
7	...	

Existing angel investor networks will also be asked to be founding organizational members of the Maghreb Angel Investors Network. One of the leading networks in the Maghreb already expressed interest in being a part of the creation process. As noted in 5.2, the founding members must be active angel investors; a special focus will be on diaspora members.

The senior investors who already expressed an interest will be contacted again and invited to a kick-off event. Other investors (mainly diaspora) will be personally contacted in order to present the project and suggest they participate as founders.

6. Creating an Efficient and Functional Network

6.1 Strategy

Changing mentalities and lobbying for legal reforms that promote angel investments are priority actions. However, these are long processes, so start-up ecosystems in the Maghreb need to take further action. Maghrebi entrepreneurs should have the following priorities:

- Connect with early stage investors and target new investors
- Activate the market in the Maghreb and connect to international markets

Angel Investor Recruitment Strategy

Diaspora and Prior Awareness as a Network Driver
The recruitment strategy should focus on:

- Diaspora early stage investors and potential investors. They will bring:
 - Higher abilities to fund start-ups – with hard currencies
 - International connections and networks
 - World class expertise and mentorship
- Local business angels will also be targeted. Recruitment should focus on:
 - Prior awareness to angel investment opportunities (immediate ability to invest)
 - Ability to influence and rally other angel investors
 - Previous international experiences

Recruitment should focus solely on these target populations during the launch phase.

Local Angel Investor Networks

Local angel investor networks should be included into the regional network from the beginning.

They possess local expertise and investor know-how. By connecting them, the first inter-Maghrebi connections may be fostered.

New Investors

Raising awareness in order to target new potential angel investors is the second step after gathering diaspora members and experienced angel investors. These new angel investors will be recruited through:

- Open membership – Investors that are recruited to be founding members of the group.
- Awareness campaigns that the network will launch at a later stage

Deal Sourcing and Selection Strategy

Sourcing

As mentioned in paragraph 3.2, connecting with local incubators and accelerators will be a major deal source for the network members. In fact, the network has to be close to these types of institutions for several reasons. Without connections at the local level, sourcing will be a challenge. In addition to incubators and accelerators, the World Bank³⁰ recommends the following groups to source from for an angel investor group:

- Network members – especially local members, since they are connected to the field
- Local universities and enterprise centers (Technopoles in three countries)
- Investment forums (Afric'up, start-up Maroc)
- Online platforms (Tunisianstart-ups, Start-up.ma)

- Service providers, such as lawyers, accountants, and investment bankers

Connecting to corporate investors and VCs can also be a good way to improve deal flow. However, it should be identified from the start if a start-up needs an early stage investment or a more advanced level of funding (cf. 3.3)

Selection

Deal sourcing is not enough. These investment opportunities should be screened and curated in order to optimize angel investors' time. Deal screenings should:

- be based on clear and well-identified criteria
- Members should agree on a general evaluation matrix. For example (with weights)³¹:
 - Entrepreneur, team, board (30%)
 - Size of opportunity (25%)
 - Product/technology (15%)
 - Sales/marketing (10%)
 - Need for more financing (5%)
 - Other (5%).
- Evaluations from coaching periods in which the quality of the project and the project team can be better assessed.

Screenings are to be implemented by the group members as well as members of the network offices.

A Costly Process

For a Maghrebi network, deal flow sourcing and screening processes will involve start-ups and entrepreneurs that can come from various regions within the Maghreb. Thus, the screening process will require travel and accommodation costs in

order to bring together entrepreneurs and angel investors (at least once during the whole process). In addition to considering the limited schedules of angel investors, the network must develop an efficient sourcing process.

The deal sourcing and screening processes have to be based on defined methodologies in order to guarantee its success and relevance. Besides, the network has to raise funds (cf. 5.2) to be able to operate these kind of activities.

Investment Strategy

Since angel investment is the network's priority, an investment fund must be created. This fund will not only increase access to early stage investments, it will also be a rare opportunity to access the whole region. Having leaders with investment mindsets and previous experience (cf. 3.3) will lead the Maghreb angel investors network to have a flexible investment strategy.

- Participating in the fund is recommended, but not compulsory
- Angel investors have the choice to be a part of the fund or not
- They have the option to join the network but participate in the fund at a later stage
- How the angel investor wants to invest is their choice:
 - An angel investor can invest on their own
 - An angel investor can invest through the fund
 - They can do both

Mentorship Strategies

Even if early stage funding is crucial to a start-up's survival, ongoing mentorship is equally important for success in the long run. Being an angel investor is more about time spent advising than money invested. Mentorship is about access to:

30- World Bank - Creating Your Own Angel Investor Group: A Guide for Emerging and Frontier Markets

31- Forbes - Scorecard Helps Angels Value Early-Stage Companies

- the angel investor's network
- technical and business expertise
- most importantly, sharing first-hand experience from working in local markets

Therefore, the network should help angel investors connect with and mentor selected start-ups. Mentorship should be conditional on investment. A mentor has to be available in order to help start-ups with all the elements described above.

However, since finding time might be a challenge for investors, a mentoring framework should set minimum engagement levels between mentors and mentees. This framework will define:

- Mentor assignment. This could be based on many elements:
 - Relevance of technical or local expertise
 - Financial relationship (personal angel investment)
 - Personal connection to and interest in profile / project
- Mentor time engagement. Meetings should happen on a basis that surpasses a minimum number set by the network.

Internal Network Guidelines

Members in the network will benefit from certain benefits and privileges, but they will also be expected to participate in certain events and respect certain guidelines. Some of the guidelines revolve around the following themes:

- Values
 - Respect and courtesy displayed between members
 - Personal values such as integrity
 - Network values such as solidarity
- How to build relationships with start-ups
- How to build relationships with political and economic players
- Fund management
 - Investment possibilities and limits
 - Conflict-of-interest situations
 - Personal and network fund investments
- Operations and resources management for the:
 - Secretary and
 - Board

These guidelines should be defined before the network's official launch.

Examples:

- EBAN- Due Diligence templates <http://www.eban.org/due-diligence-guidelines-and-template-document>
- UKBAA (UK Business Angel Network) – How to work with an angel <https://www.ukbaa.org.uk/services-for-entrepreneurs/understanding-angel-investment/working-with-an-angel/>

6.2 Investment Process Overview

Investment processes are becoming more and more standardized. The new Maghreb angel investor network should learn from best practices established on the local and international levels.

The process is as follows:

- Deal sourcing (cf. 6.1)
- Deal screening
- Feedback and coaching
- Start-up presentations/pitches
- Due diligence
 - Like deal sourcing and selection evaluation, due diligence should be based on predefined criteria.
 - Due diligence should look into:
 - Competition analysis
 - Technical validation of the product
 - Company's structure validation
 - Finances and contracts
 - Team compliance and reference checks
- Investment terms and negotiations
 - If network members are interested in a particular start-up, the next steps are to draw up term sheets and/or contracts and begin the negotiations on valuation.
- Post-investment support (cf. 6.1)
 - After the initial investment, angel investors should continue to support and monitor the start-up. Investors can also work with the start-up on potential exit strategies.



7. First Steps to Create the Maghreb Angel Investors Network

The following template sets out the first steps that the Maghreb Angel Investors Network should take:

		Comments
Day 0	Founders commit and network is officially launched → Takes place during a major international angel investors event (such as WBAF, EBAN or MAIN regional summits)	'Founders' can be both individual angel investors and already existing networks
Month 0	Sign partnerships with other regional networks	Mainly EBAN, ABAN, MBAN, MedAngels and MAIN (on a regional scale)
Month 1	Set up operations: → Fund operations → Hire law firm and create legal structure → Recruit administrative team (3 months)	Founders must decide on a legal structure and administrative system
	Recruit angel investors from the diaspora → recruit at events hosted by major Maghrebi diaspora business associations Recruit already-active local angel investors (3 months)	
Month 4	Create the fund and begin fundraising (2 months)	
	Partner with other investment organizations	VC, corporate, international institutions

Month 6	First investment round → Deal sourcing → Deal selection → First investments (3 months)	
Month 10	Communication and promotion Second round of recruitment of diaspora and active angel investors First round of recruiting local angel investors (3 months)	
Month 12	Second investment round (3 months)	
Month 18	Activities for raising awareness Angel investors → target potential and experienced investors unaware of opportunities in the entrepreneurship ecosystem Deal flows → Universities → Incubators and accelerators → Enterprises	

Comments:

- During this process, the network should continue to set up partnerships with international institutions and other regional angel investor networks in order to build connections and share best practices.
- The network can eventually lobby, but this practice shouldn't be prioritized during the first two to three years.

8. Conclusion

Creating a Maghreb angel investors network represents an opportunity to consolidate efforts towards building a regional start-up ecosystem. Many factors contribute to the disconnected nature of entrepreneurship in the Maghreb. Fortunately, new digital economies challenge the idea of closed territories as they connect communities from around the whole world.

Start-ups may contribute to creating economic links between the countries of the Maghreb. They are able to tap into a large market and provide the same goods and services to the 100 million people that inhabit the region. However, at this stage, these groups require financial and managerial support. Hence, the importance of a network: an organization that will work on making this new economy happen not just in one country but in the region as a whole.

Members of Maghrebi diasporas have a major role to play in growing this economy and participating in this network. In fact, they are needed to make it work. Working in a network may be one of the rare opportunities for them to have a direct and immediate impact on the region.

The Maghrebi start-up ecosystem needs an organization that articulates their needs, helps them grow, and advocates for their development. Many angel investors have already expressed interest in making this Maghreb Angel Investors Network a reality. Quick wins and actions are easy to set up. All it takes is to start.

9. Appendix

9.1 Start-up Ecosystem Historic Development in the Maghreb Region

Since the 2001 economic crisis, small innovative structures have started to emerge. As a result of technological development, easy access to information, and the possibilities offered by the internet, interest in innovation and entrepreneurship has increased around the world. International success stories (Google, Facebook, Amazon) have helped to grow new ecosystems which, in turn, promote the development of new innovative structures. Already, certain parts of the world, such as Silicon Valley, London, and Beijing, start-up ecosystems are being considered as key factors to economic growth. In 2018, the start-up economy was worth \$3 trillion dollars, a rise of 20% from 2017 and larger than the GDP of the United Kingdom, France, or Brazil.³²

Growing interest in start-ups has also reached the Middle East and North Africa. In 2018, start-up ecosystems in the region witnessed a record level of investments, with a 31% increase in funding from 2017, according to a recent report issued by MAGNiTT.³³

In the Maghreb - which, for the purposes of this study, we consider Tunisia, Morocco, and Algeria - local start-up ecosystems are growing. However, the start-up ecosystem that encompasses all three countries remains far behind other regions. Despite some similarities in their economic structures, each

country has specific needs concerning the growth of their ecosystem.

In Morocco, the establishment of the Casablanca Technopark in 2001 triggered the first wave of interest in tech innovation.

In Tunisia, the Business Creation Support Center was created in 1995 by the Agency for the Promotion of Industry and Innovation (APII). The Center was strengthened by the establishment of the National Network of Business Nurseries (RNPE) in 2005 in order to spread the spirit of entrepreneurship to the nation's youth.

Algeria followed suit with its first incubator in the Sidi Abdellah Technopark in 2009.

Situation by Country

Morocco

In 2016, there were approximately 200 start-ups in Morocco. The Moroccan start-up ecosystem is dependent on a few institutions and is mostly sourced from the major cities of Casablanca, Rabat, and, to a lesser extent, Tangier and Marrakech. The Moroccan Association of Capital Investors (AMIC) claims that the concept of a 'start-up' is not widely understood in Morocco, in part due to:³⁴

32- The 2019 Global start-up Ecosystem Report launches at TNW2019

33- 2018 record year for MENA start-up investment, UAE, Egypt top destination with 30%, 22%: MAGNiTT

34- "Start-ups: L'AMIC livre un diagnostic complet des lacunes de cet écosystème"- Le Boursier - 2018

<http://leboursier.ma/Actus/3323/2018/12/14/Start-ups-L-AMIC-livre-un-diagnostic-complet-des-lacunes-de-cet-ecosysteme.html>

- Absence of a clear legal definition
- Inadequacy of existing legal procedures specific to start-ups
- Complex legal procedures
- A lack of tax incentives for R&D investment

Additionally, the study highlights some human-resources-related constraints that impact start-up creation:

- A lack of soft skills and business knowledge among project leaders
- Low levels of innovation and entrepreneurship awareness
- Inequalities in "social capital" (networks, adaptability, etc.)³⁵

Despite these constraints, Morocco's start-up ecosystem is experiencing rapid growth, particularly after the Global Entrepreneurship Summit (GES), which was held in Marrakech in November 2014. This summit sent a positive signal to the nation; even the King spoke about the importance of supporting entrepreneurial activity.³⁶ Today, start-ups seeking funds look to specialized institutions (investment funds, for example) such as:

- Maroc Numeric Fund (public-private fund)
- CEED Morocco
- Réseau Entreprendre Maroc
-

Currently, the Moroccan government is developing new legal frameworks; the 2018 Finance Law lays out a series of measures aimed to encourage investment in start-ups.³⁷

Algeria

Many investors and entrepreneurs indicate that Algeria has a long way to go to adequately support start-up creation and development. In fact, there are no clear success stories from the country's start-up incubation programs: Algeria's only public incubator is located in the Sidi Abdellah technopark (created in 2009), but it has been criticized for working in isolation and failing to adequately support start-ups.

Some private initiatives have emerged, led by corporations such as Ooredoo (telecommunications company), which finance and mentor a specific number of start-ups per year.³⁸ The main constraints that slow down the start-up ecosystem in Algeria are bureaucracy and legislative barriers:

- Administrative procedures are very slow
- Adapting legal frameworks to the new economy is extremely slow, which prevents start-up development.³⁹
- Almost nonexistent e-payment (online payment is still not possible with an Algerian bank account)⁴⁰

Moreover, Algerian start-ups struggle to obtain funding due to a weak investment ecosystem. When their initial funds (self-financing, funds from personal networks, bank loans) run out, many start-ups find themselves stuck at a crucial stage of their development cycle: unfinished prototypes and/or minimum viable products that cannot generate income.⁴¹

There is a general lack of funding mechanisms for start-ups starting from the R&D phase. The few funding mechanisms that exist often aren't suitable for nascent start-ups.

Tunisia

According to Bloomberg, Tunisia is recognized as the most innovative African country, with the best entrepreneurial environment (Global Entrepreneurship Index). The Tunisian ecosystem is very active, with:

- A legal framework dedicated to start-ups (The Start-up Act)
- 600 + start-ups
- More than 20 support programs: Cogite, Flat6Labs, Founder Institute Tunisia, B@ Labs, and others
- Some financing structures, such as: IntilaQ, AfricInvest

However, despite growing interest in entrepreneurship, Tunisian entrepreneurs face certain challenges:

- Difficult conditions for entrepreneurship outside of Greater Tunis and Sousse
- Administrative and regulatory burdens (instability of the regulatory and tax environments, complicated and slow procedures, very restrictive exchange rate regulations)
- Difficult-to-navigate financial structures
- Difficulty accessing markets

35- Idem

36- Idem

37- "2018, année de la start-up au Maroc ?" - Finances News - 2018 <https://fnh.ma/article/alaune/2018-an-nee-de-la-start-up-au-maroc>

38- Idem

39- "L'Algérie sur le point d'avoir son écosystème start-up ?" - Wamda - 2016

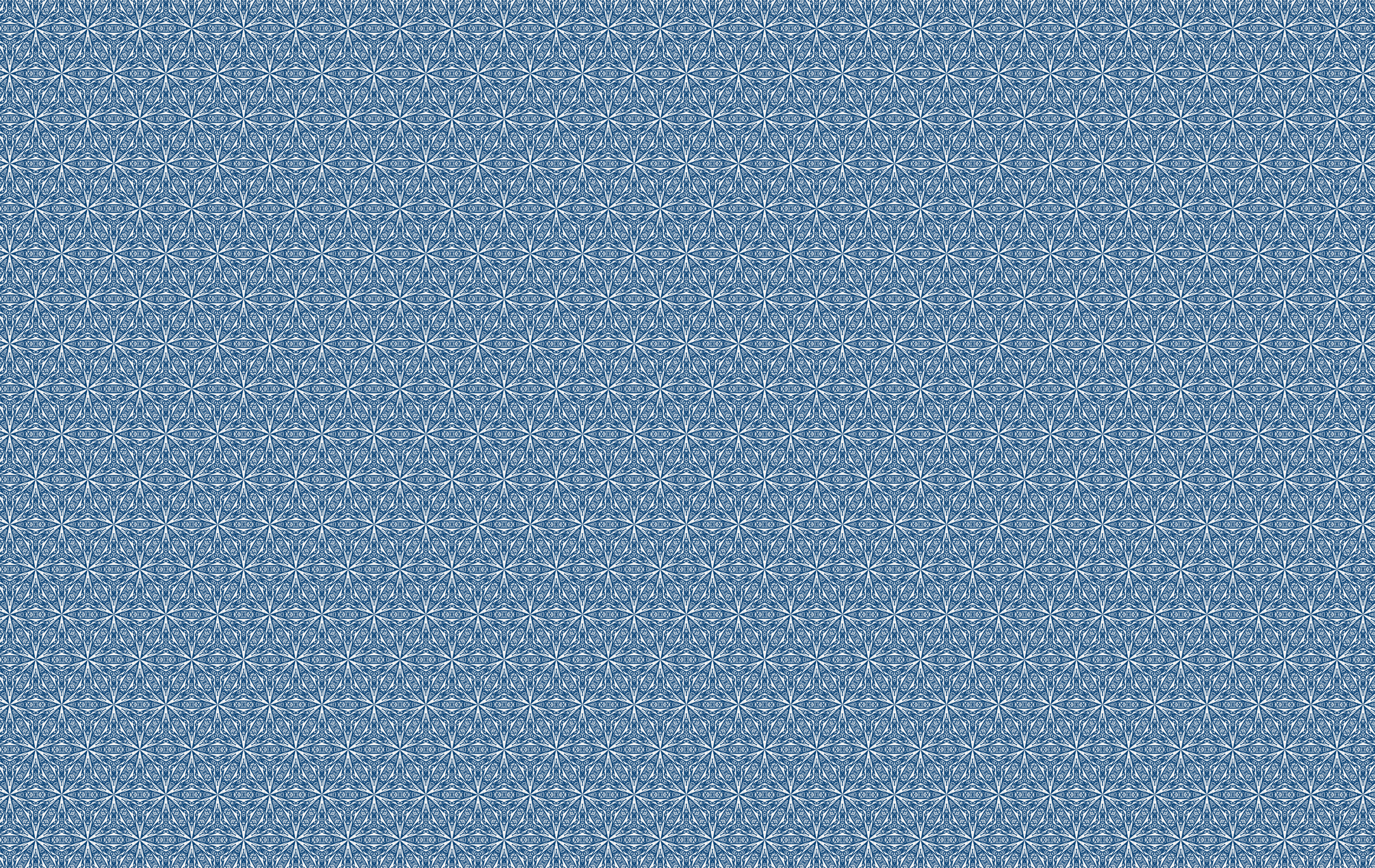
<https://www.wamda.com/fr/2016/08/algerie-sur-le-point-avoir-ecosysteme-start-up>

40- "L'Algérie sur le point d'avoir son écosystème start-up ?" - Wamda - 2016

<https://www.wamda.com/fr/2016/08/algerie-sur-le-point-avoir-ecosysteme-start-up>

41- "Ecosystème du financement des start-ups en Algérie (1/2)" - Medium.com - 2019

<https://medium.com/@hakim.hattou/ecosyst%C3%A8me-du-financement-des-start-ups-en-ig%C3%A9rie-dcb2ae0fd14b>





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