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Economics' Letter July, 2023

■ Beyond the Hype: Revealing the other story of Startups and their economic impact in Tunisia

Outstanding! on January 10, 2023, the co-founders of the Tunisian startup InstaDeep made an exciting announcement regarding the sale of their shares to BioNTech: the deal involves an upfront consideration of \approx £362 million, which will be allocated between cash and BioNTech shares (in addition to those acquired in January 2022). Moreover, the founders of InstaDeep will be eligible for an additional compensation based on future performance, with a potential value of up to around £200 million.



As Tunisians, we take great pride in witnessing the remarkable achievements of our fellow compatriots who got off to a flying start in the very competitive realm of Artificial Intelligence (AI).

However, while we acknowledge and celebrate this tremendous success story, which serves as a shining example of the significance of academic achievement, dedication, and perseverance, it is important to note that the considerable amount involved in this transaction (approximately 5% of Tunisia's foreign currency assets) will not directly benefit Tunisia. This is due to the fact that InstaDeep's headquarters are based in London, and the transaction was denominated in pounds sterling.

This is not an isolated case, as Expensya¹, a Tunisian startup delivering innovative solutions for expense management and professional payments, is also headquartered outside of Tunisia, specifically in Paris.

¹ Expensya uses artificial intelligence (AI) to minimize the need for manual data entry and streamline the automation of expense processing which enable companies to empower their employees to make independent spending decisions while ensuring effective budgetary control.



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Instead of dwelling on the dilemma of the startups' country of domicile, which indirectly impacts the attractiveness of the Tunisian startup ecosystem, let's shift our focus to a more pressing question: What's the contribution of startups to the Tunisian economy? By examining this, we can gain a deeper understanding of the impact and significance these startups have on our economy.

Before addressing this question, it's crucial to keep in mind the following points:

- The answer to this question should consider the collective responsibility and be closely tied to the economic impact.
- There is no room for a restrictive approach as the essence of a startup lies in the freedom of action and movement.

With that being said, it is obvious to note that startups' contribution to the Tunisian economy, as well as to the daily life of Tunisians, falls significantly short of expectations.

To better illustrate this disappointment, let's begin by highlighting a few examples. Several startups in Tunisia are focused on developing solutions related to the Internet of Things (IoT).

In today's context, IoT networks have emerged as crucial components in building smart cities. They play a significant role in enhancing the urban services' quality such as urban transport and waste management. Additionally, IoT tools have the capability to address requests nearly instantaneously, contributing to the efficiency and responsiveness of these urban systems.

What about the impact on our daily lives? The concept of a smart city still seems like a distant dream, and we keep a covetous eye as we witness videos of cities around the world celebrating their entry into the era of connectivity, which greatly facilitates everyday life (such as Dubai, Lagos, New Cairo, and more).

The second example highlights the crucial strategic challenges that Tunisia faces. Startups operating in the field of Artificial Intelligence (AI) have the potential to develop technical solutions aimed at optimizing the management of water resources. Concrete examples include monitoring water loss in pipelines and improving the management of dams. These advancements have the potential to contribute significantly to Tunisian economic growth and enhance the country's resilience.

The third example revolves around the digitalization of public administration. While some progress has been made, there is still a considerable journey ahead to achieve a complete digital transformation. National startups can play a decisive role as partners of the public administration in initiating this transformation and implementing "Smart Solutions". These solutions have the potential to enhance the effectiveness and efficiency of public services, greatly benefiting the daily lives of citizens and businesses.

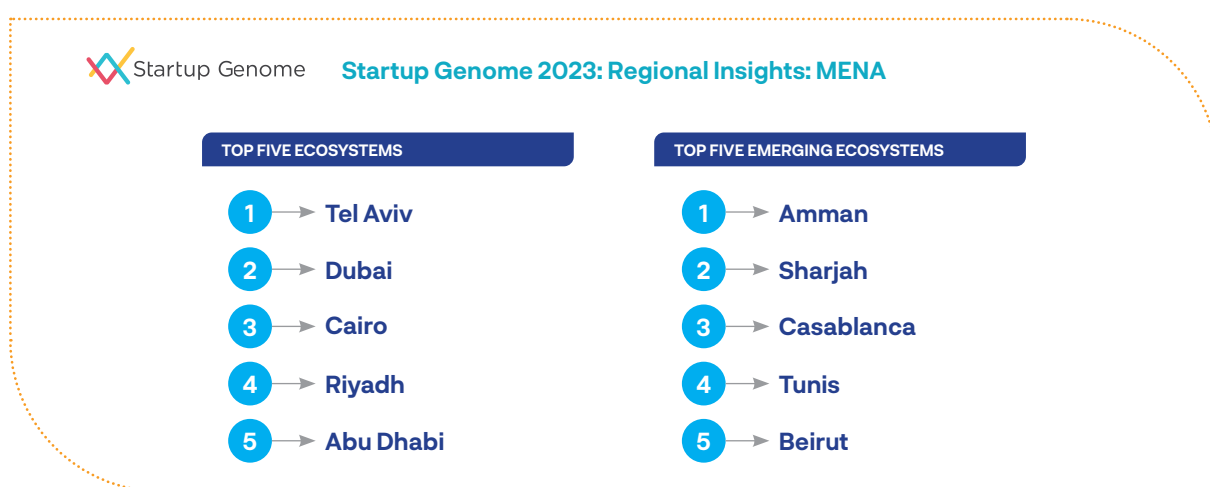
The final example pertains to the industrial sector and the transformative concept of Industry 4.0. «Industry 4.0 is revolutionizing the way companies manufacture, improve and distribute their products. Manufacturers are integrating new technologies, including Internet of Things (IoT), cloud computing and analytics, and AI and machine learning into their production facilities and throughout their operations²».

Clearly, national technology startups can greatly contribute to the upgrade of the Tunisian industry, allowing its various sectors to align with this new industrial era. While it is true that several major players, especially exporters, have undertaken fundamental modernization efforts to position themselves in the Industry 4.0 landscape, often involving collaborations with domestic startups, the majority of operators in the industrial fabric remain a question mark. Therefore, a national industrial acceleration strategy should be developed, with Industry 4.0 as a key pillar, where partnerships with startups would serve as a catalyst for driving the dynamic of change.

² <https://www.ibm.com/topics/industry-4-0>



Furthermore, the Tunisian startup ecosystem still requires efforts to enhance its attractiveness, despite the regulatory developments and efforts made. Currently, Tunisia is not yet listed in the Top 100 of the «Global Startup Ecosystem Ranking 2023» and is positioned as the 4th among the «Emerging Ecosystems» in the MENA region



In reality, Tunisia has a decisive advantage over other countries in the region, which is the availability of highly skilled talents: our country ranks first in the MENA region and is among the top 15 globally! Moreover, Tunisia has made a great improvement in terms of available funding for startups. As a case in point, the Medius Group³, a prominent supplier of accounts payable automation solutions, expressed its intention to acquire Expensya.

“ Tunisia is in the top 10 emerging ecosystems in terms of available funding for startups and innovative SMEs. It is ranked first in the MENA region in terms of accessible talent. ”

Ms. Najla Gharbi, CEO CDC Tunisia, Startup Genome 2023

However, in order to enhance the contribution of startups to the Tunisian and global economy, it's imperative to overcome the multiple obstacles (administrative, regulatory, etc.) that stand in the way of startups and businesses in general. The public administration and entrepreneurial Ecosystem would benefit at all levels by definitively switching from the paradigm of «prior control» to that of «posterior control.»

At present, we can't deny that various initiatives are being pursued to enhance the business environment, such as the removal of permits for multiple economic activities and the revision of the foreign exchange regulation⁴. The critical focus is on the pace at which these reforms are formulated and the expeditious implementation of their practical application.

³ Medius's software platform uses artificial intelligence to link and automate invoice capture, processing and payments for mid-market and enterprise AP teams helping them to automatically identify potential fraud or duplicate payments using anomaly detection technology to proactively spot risks (source Medius Website)

⁴ Currently being finalized.

Tunisia must evolve into a «Startup Nation» where the freedom to initiate is ingrained at all levels and across sectors. A national strategy that integrates startups into strategic national projects would accelerate the country's transformation and, ultimately, enhance the quality of value-added in the Tunisian economy.

In today's world, startups, especially those in the technology field, are widely acknowledged as powerful agents of change.

“ The world of tech startups is changing. More importantly, tech startups are changing the world. ”

JF GAUTHIER, Founder and CEO, Startup Genome

Startups are contributing with effectiveness to climate change struggle, showcasing their remarkable ability to swiftly address pressing global issues. Kumulus⁵ is a concrete example of how we can address sustainability challenges starting from local basic needs. Kumulus harness solar power and atmospheric humidity to produce clean drinking water. Aiming to serve in fifty Tunisian schools, the startup sets a compelling example that others can aspire to follow.

Furthermore, it is worth noting that despite the adverse economic circumstances that have slowed down fundraising for startups worldwide, climate-focused funds have emerged as an exception, having raised nearly \$200 billion within a span of two years.

The contribution of startups has the potential to make a substantial impact on the Tunisian economy. While the startup ecosystem comprises a diverse range of actors, it is undeniable that a significant part of them conceive and have the potential to develop innovative solutions that would address current and future socio-economic challenges in the country. A heightened awareness of this potential among policymakers and key stakeholders within the entrepreneurial ecosystem would pave the way for an impactful and boundless contribution because... Sky is the limit!

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⁵ Kumulus is a Tunisian startup specialized in innovative water services