



iBRIDGE Berlin

A FEW POINTS

Hossein Abdoh Tabrizi

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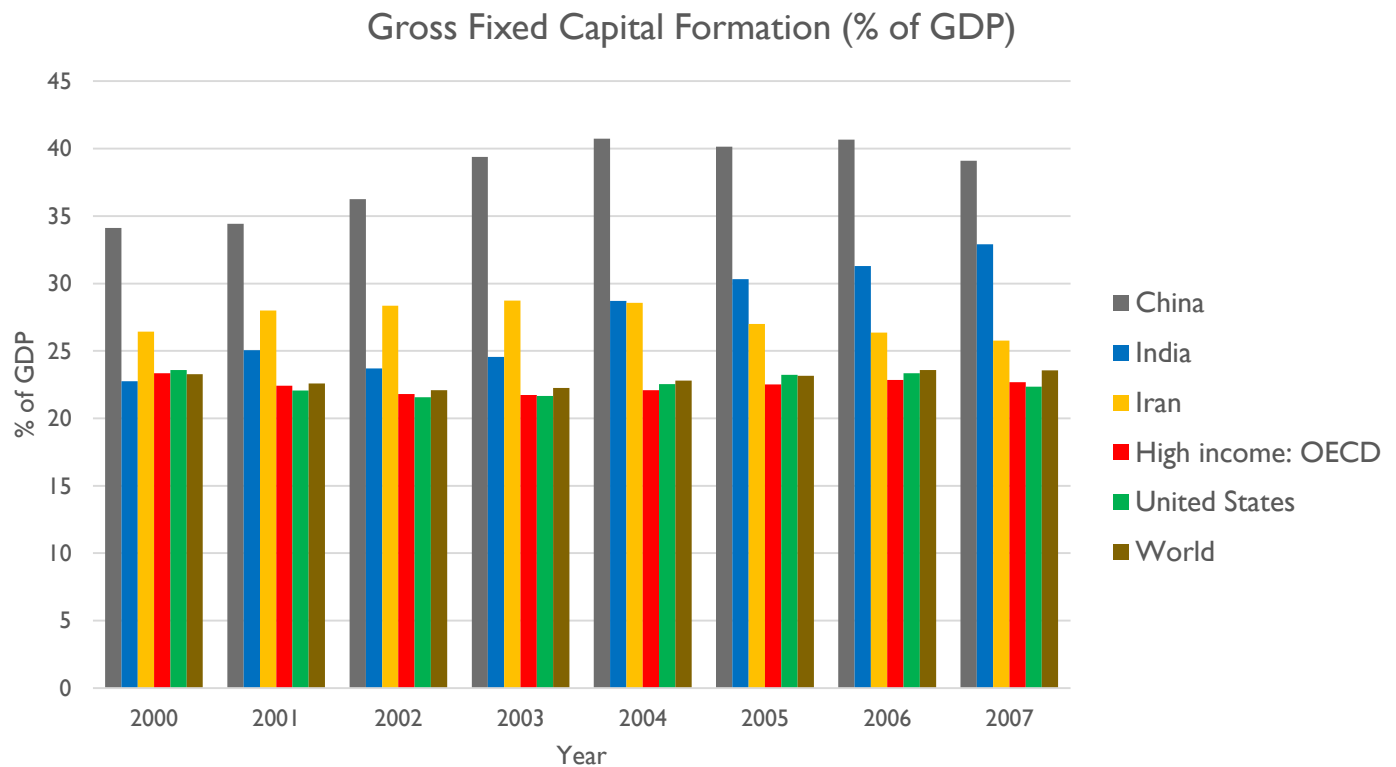
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MACROECONOMIC ENVIRONMENT OF IRAN

- Current stagflation situation in Iran
- High inflation rate and high volatility
- Low GDP per capita growth
- High amount of money supply
- High unemployment rate
- Capital market inefficiency

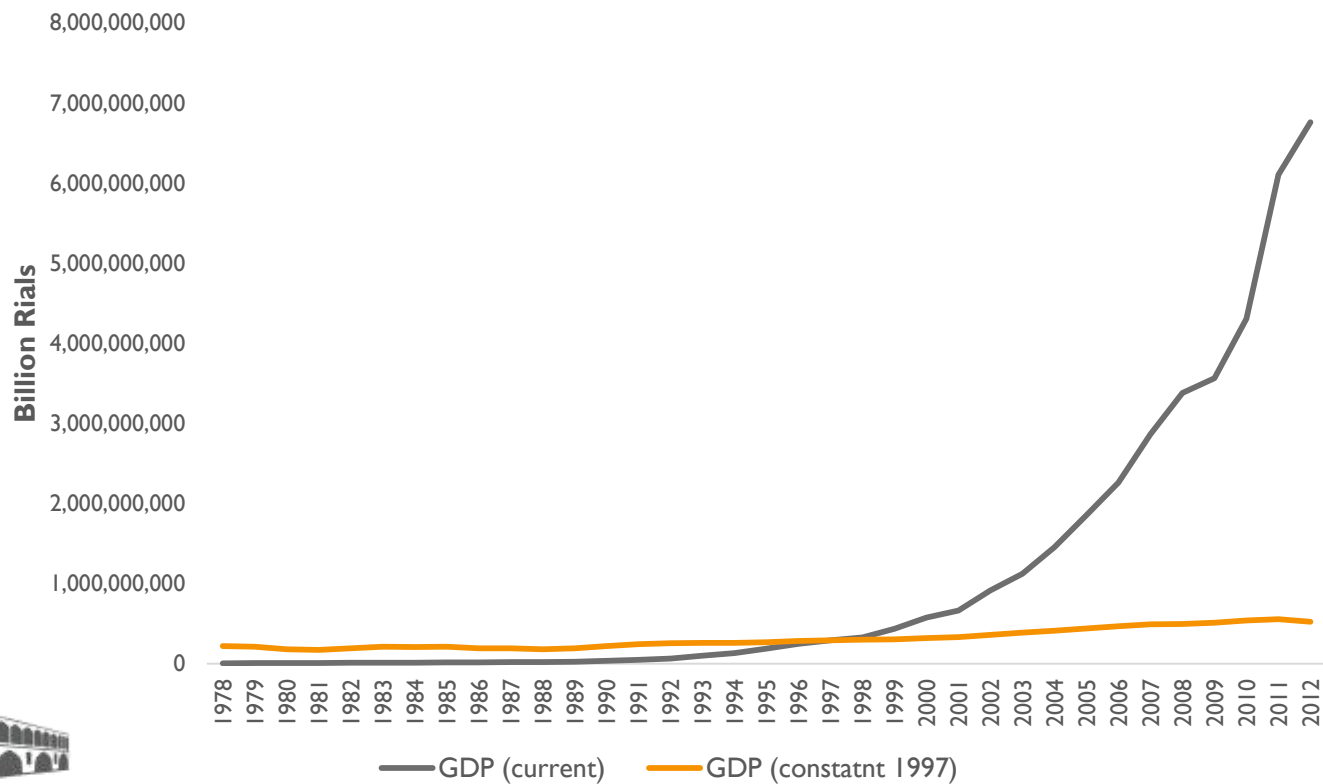
PRODUCTIVITY AND CAPITAL INPUTS IN THE CAKE OF CAPITAL FORMATION

- Current share of Capital is too high
- The missing part of the cake is productivity



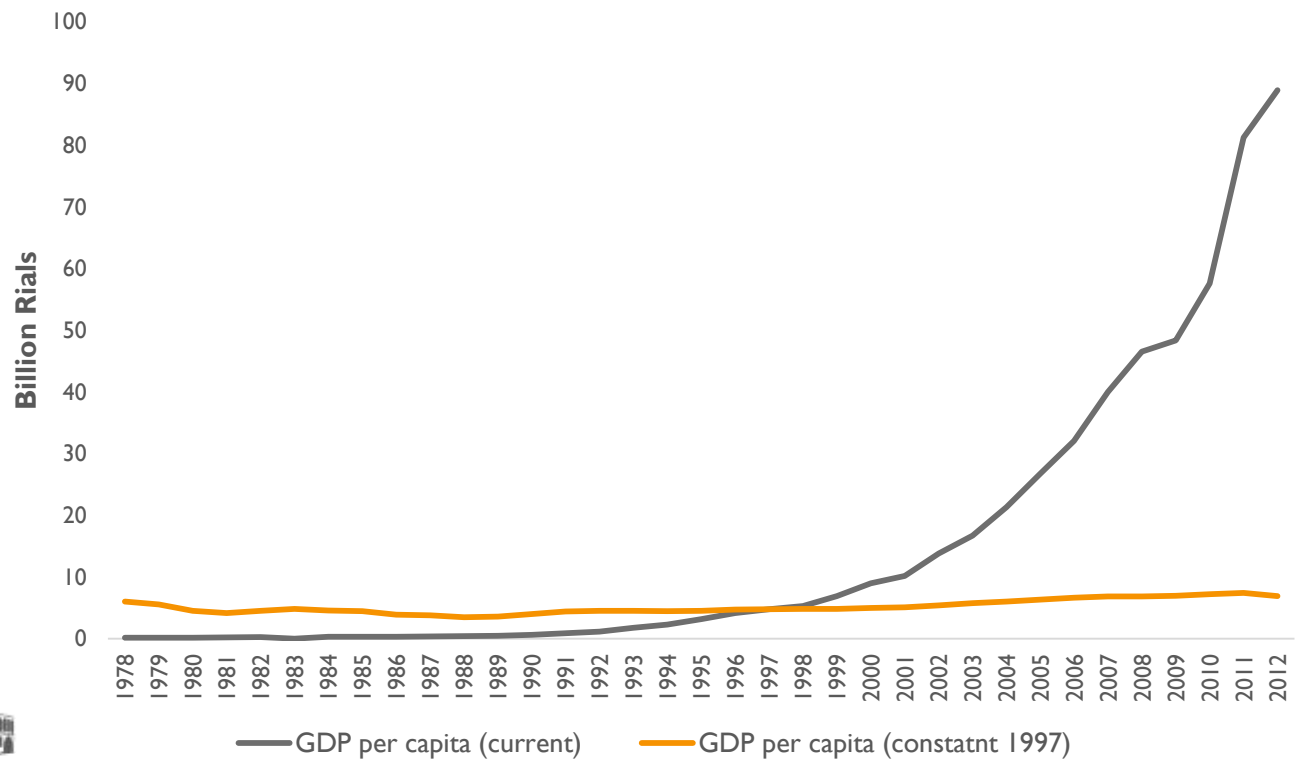
GDP

GDP (Billion Rials)



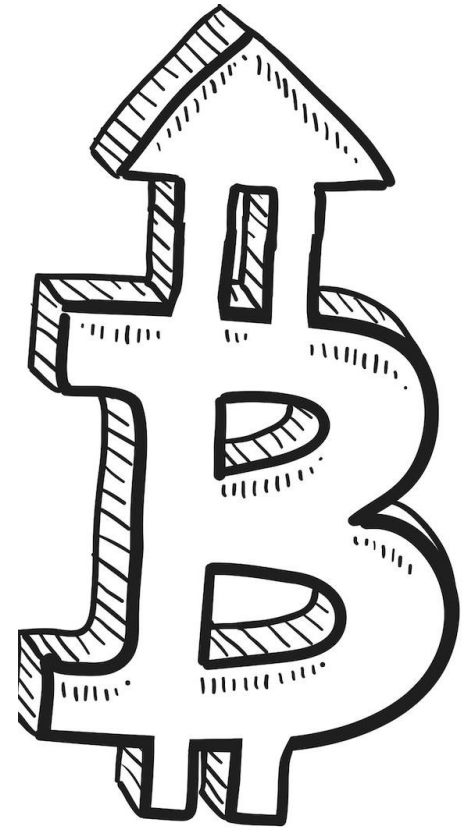
GDP PER CAPITA

GDP per capita (Billion Rials)



INFLATION

- Average inflation rate: 19.55 %
- Single Digit Inflation Rate: 2 Years
- Two Digit Inflation Rate: 34 Years
- Inflation Rate over 20 Percent: 17 Years
- Inflation Rate over 30 Percent: 3 Years
- Highest Inflation Rate: 49.4 Percent (1995)
- Lowest Inflation Rate: 6.9 Percent (1985)



CHALLENGES

- High unemployment rate
- Lower family budgets
- To keep unemployment rate at its current level, we need a growth rate of 6%
- Major engine of economic growth during last Government: “capital factor”
Capital stock and economic growth went hand in hand
- Even with revenues similar to Ahmadinejad’s Government, the growth rate would have dropped to 2%-3% corridor
- Major demographic changes

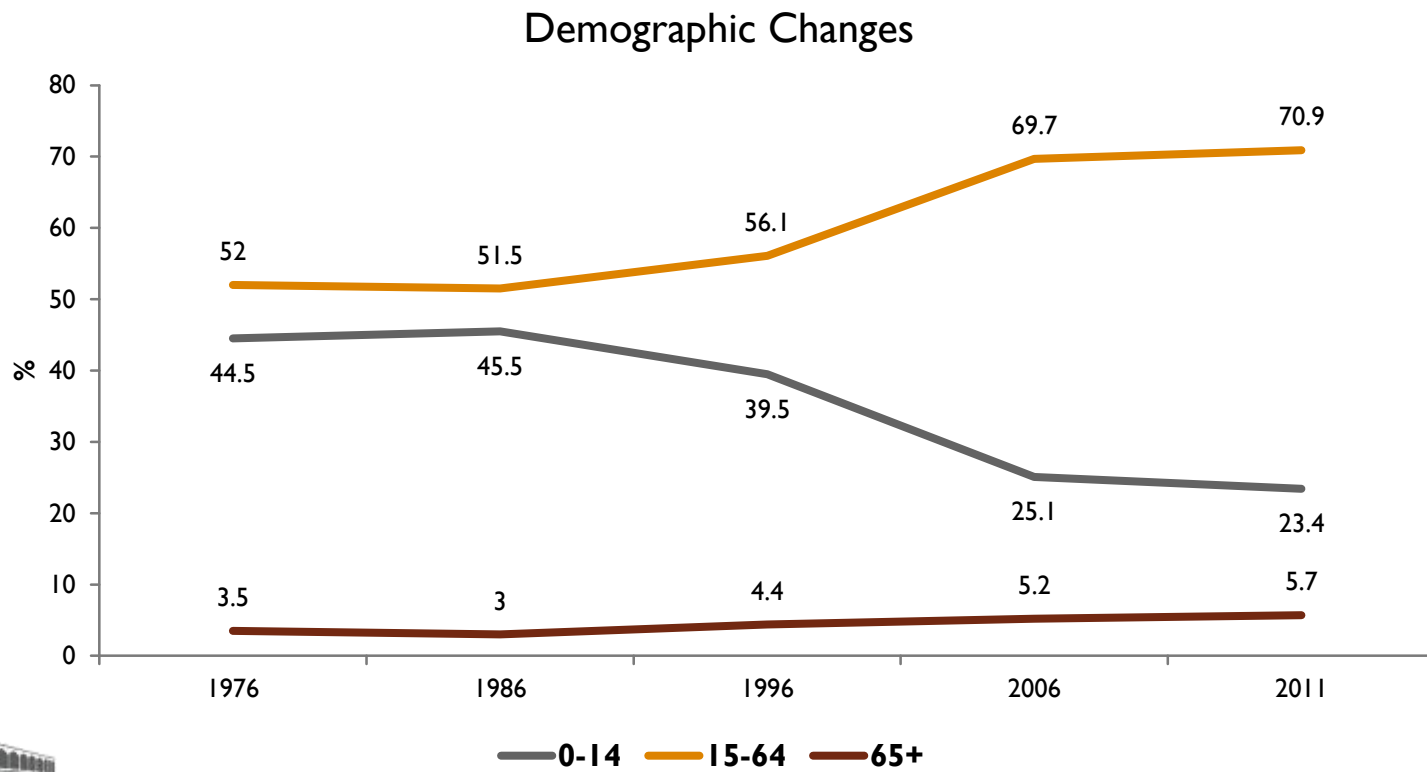


LABOR MARKET

- Reduction of Labor Participation Rate
- 3.5 million unemployed
- Major difference of male & female unemployment rates
- Major difference of unemployment rates across age groups
- 4.5 million students: the army of unemployed
- Average Unemployment Rate: 11.94%
- Highest Unemployment Rate: 14.3% (2000)
- Lowest Unemployment Rate: 9.1% (1996)



MAJOR DEMOGRAPHIC CHANGES

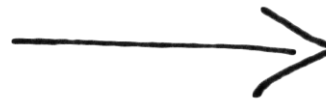


THE ROLE OF PRODUCTIVITY

- Productivity

- *Training*

- *Education*



- Startups

- VCs



IRANIAN BANKS' CURRENT SITUATION

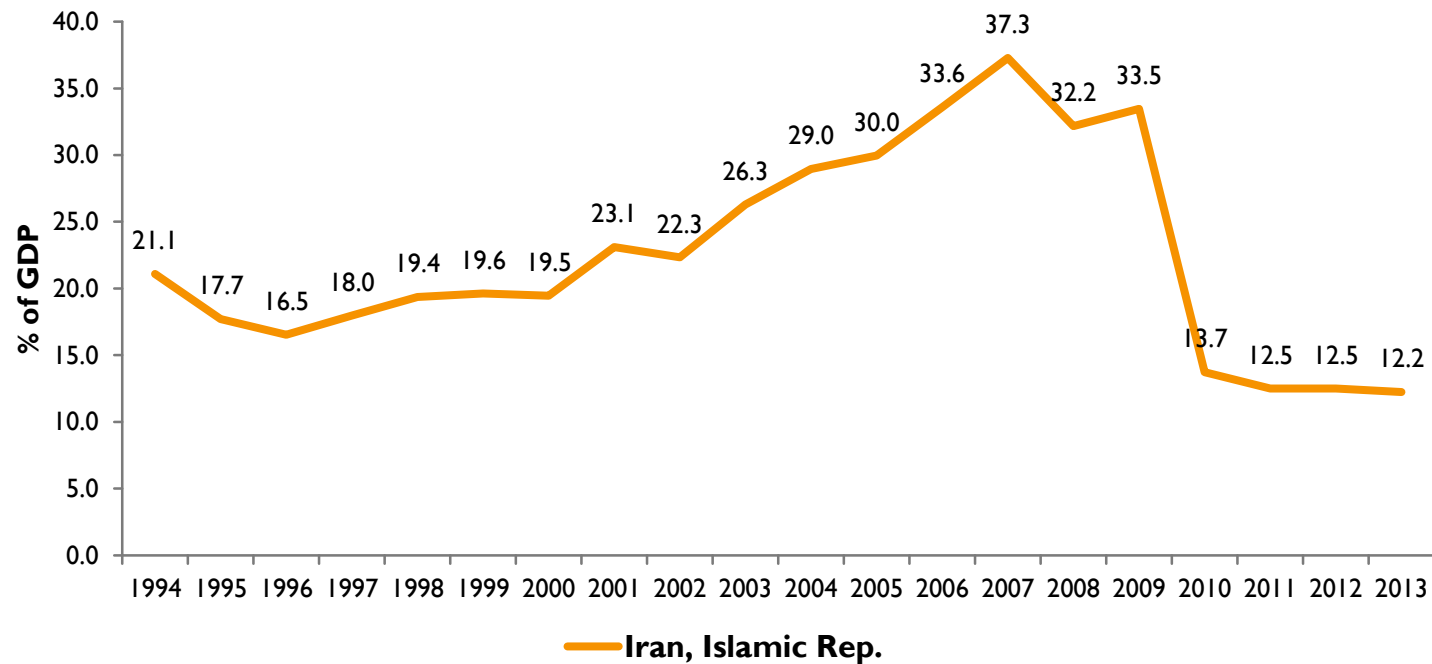
- Large amount of doubtful and bad debts
- Low liquidity problems
- Lack of secondary markets for banks' assets
- Investing in real state

VC'S CAN NOT RELY ON TROUBLED BANKS:

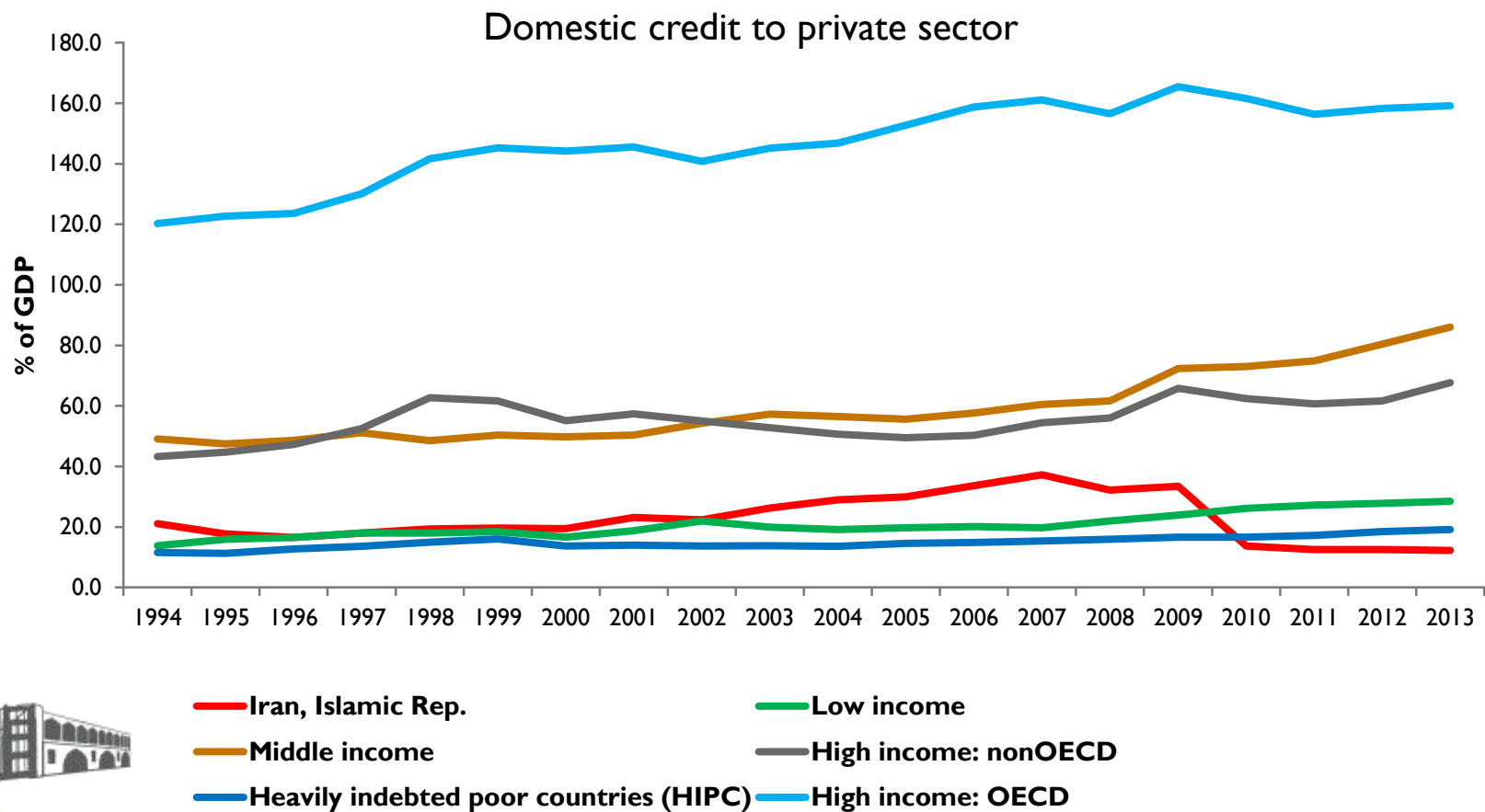
- Banks are so deep in trouble that can not help VC's at this stage

DOMESTIC CREDIT TO PRIVATE SECTOR

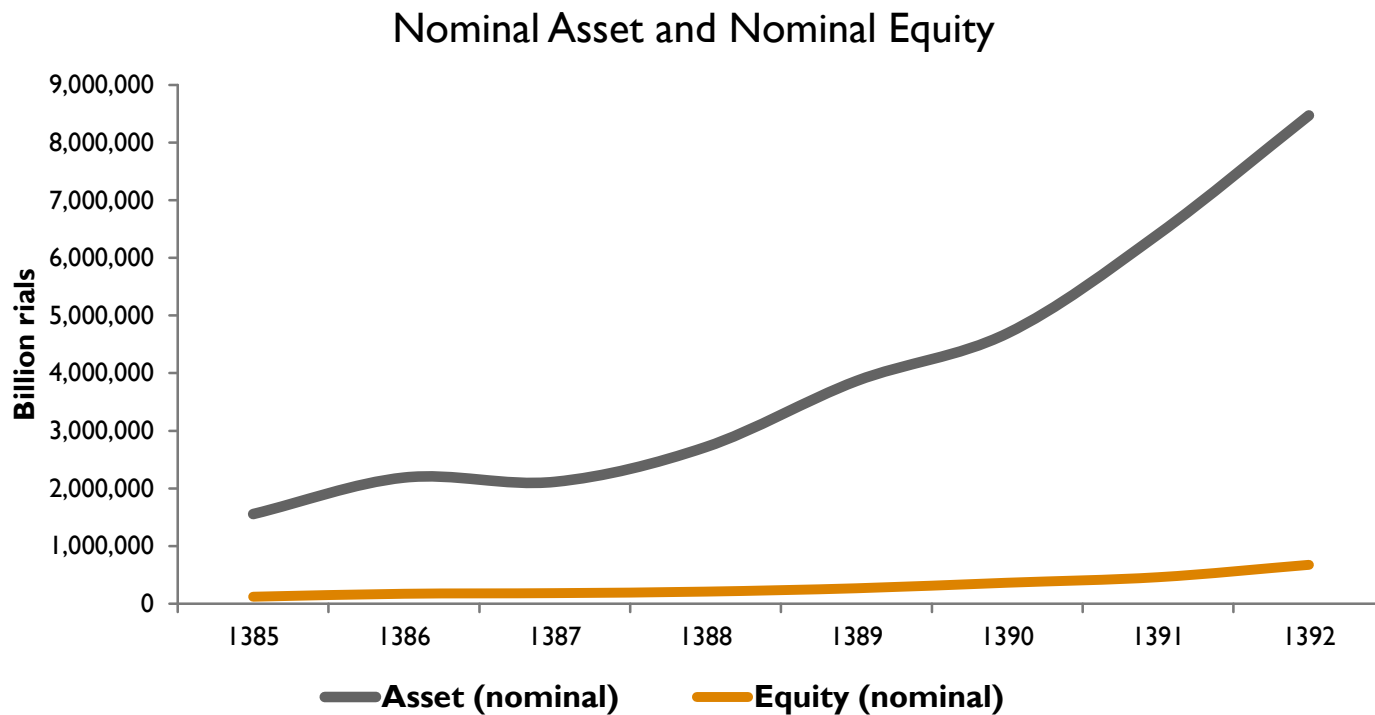
Domestic credit to private sector (% of GDP)



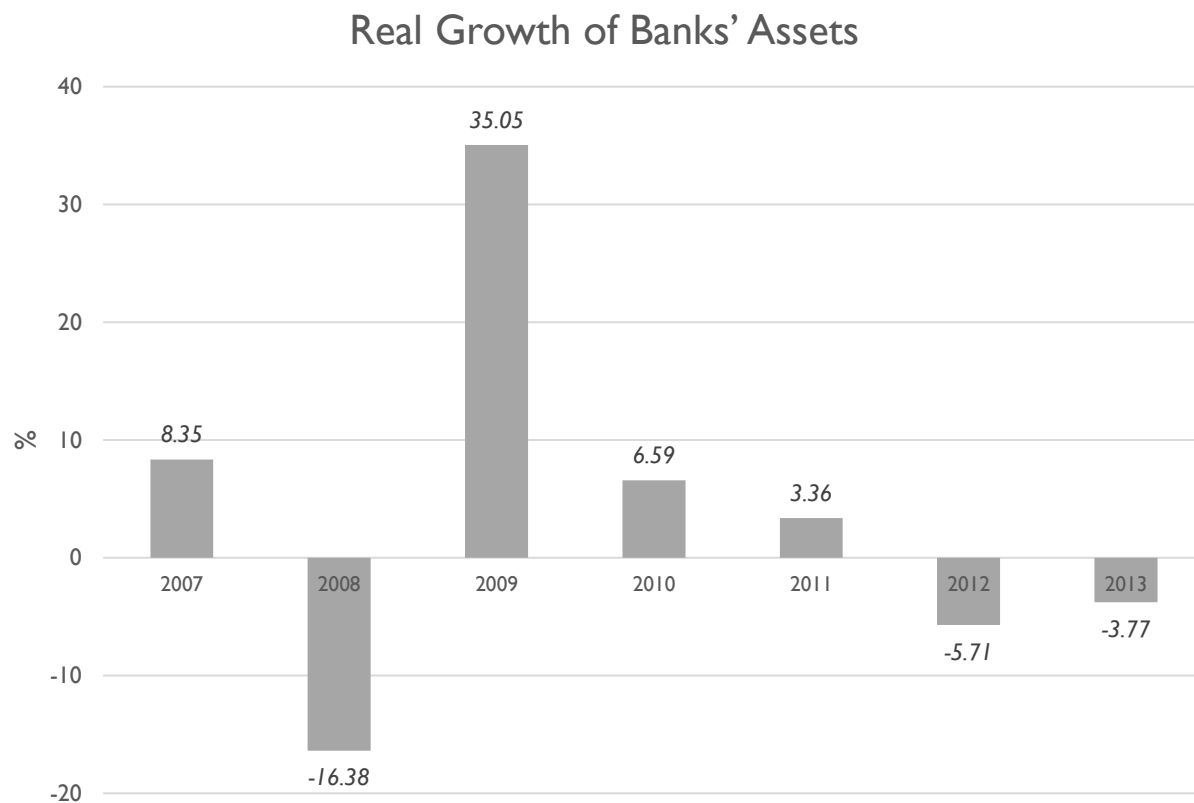
DOMESTIC CREDIT TO PRIVATE SECTOR



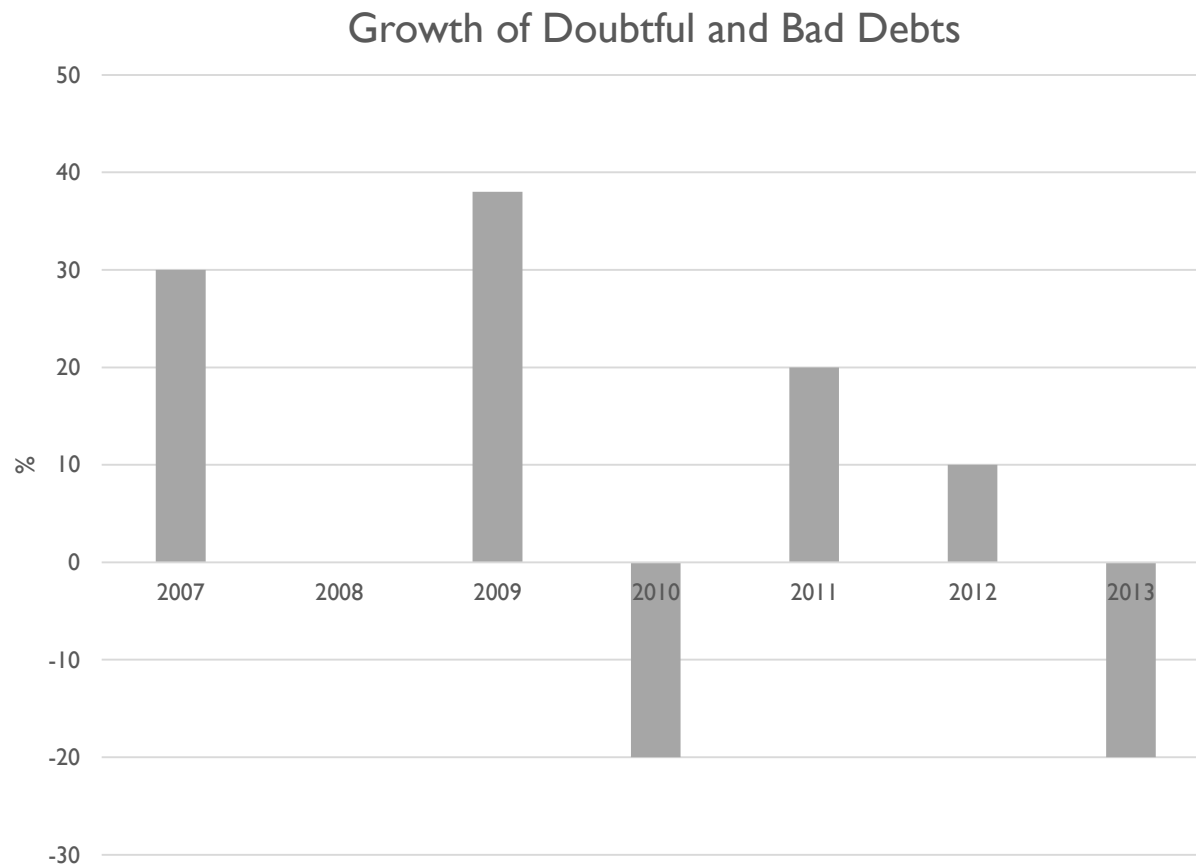
ASSET AND EQUITY OF IRANIAN BANKS



REAL GROWTH OF BANKS' ASSETS

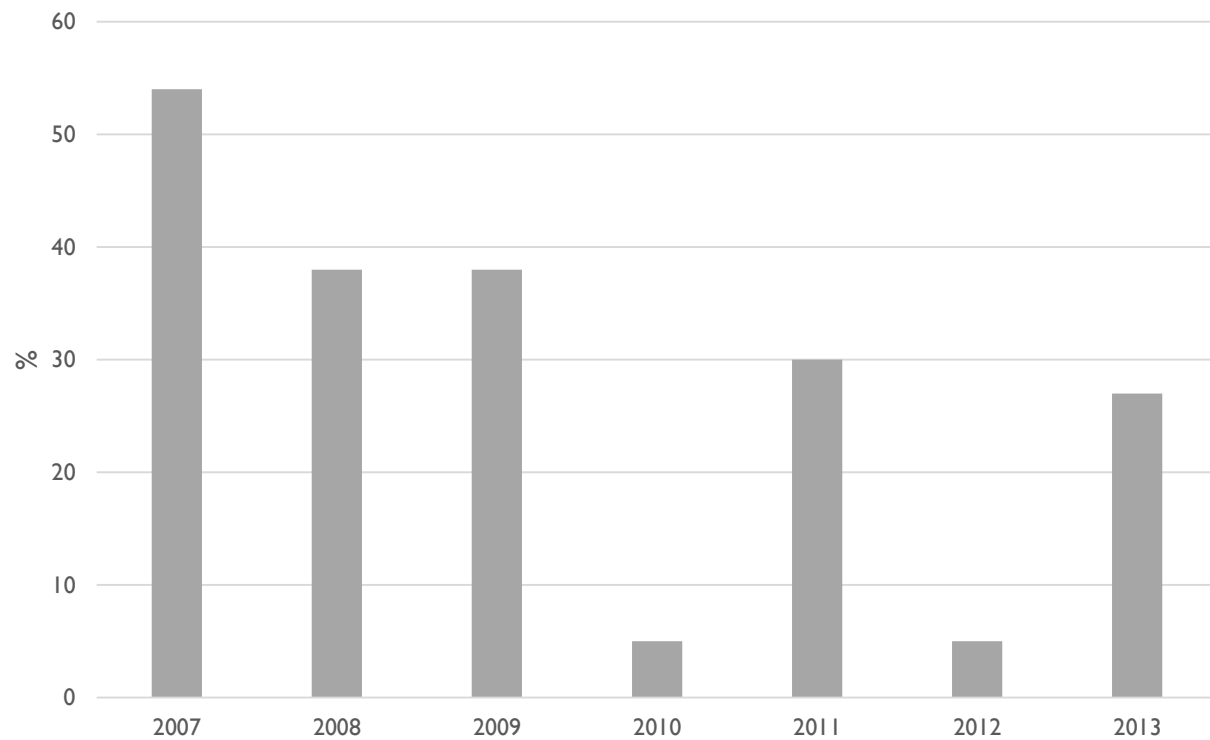


GROWTH OF DOUBTFUL AND BAD DEBTS



GROWTH OF DOUBTFUL AND BAD DEBTS

Growth of Doubtful and Bad Debts



- 
- A Few Points about Solutions

MAJOR OBSTACLES MENTIONED

- Poor implementation of regulations & laws (weak judicial system/corruption)
- No proximity to other successful ventures (no Silicon Valley effect)
- Unavailability of talented human resources
- Cultural issues dissuading individuals from entrepreneurship
- Poor linkages & unavailability of quality educational institutions
- Financial institutions not keen on supporting technology related ventures



MAJOR PROBLEMS WITH IRANIAN STARTUP INDUSTRY

- Project-Based rather than Fund (Company) Based
- Suede-Governmental structures
- Mostly financing seed-stage research
- Concentrated on R&D, forgetting economic success side
- Established funds are not VC's



MAJOR PROBLEMS WITH IRANIAN STARTUP INDUSTRY II

- Limited capital base
- Less financial intermediation
- So many universities playing stockholder role
- Missing institutions in Iranian Startup Ecosystem
- Iranian Judicial System cannot support intellectual properties



LACK OF SEED AND EARLY STAGE ANGLE INVESTORS

- Mainly because of:
 - High disequilibrium interest rate
 - Illusive real estate market
 - Ample opportunities yet to invest in real assets
 - Informal money market for trade dealers
 - Gold and Exchange deals due to sanctions
 - Day trading in the Exchange by the youth

ENERGY CONSUMPTION

- Cheap subsidized energy ended to high consumption rate, and low productivity of industries



**700 million
barrels in a
year**
×
60 Dollars

+



**162.2 billion m³ in a
year**
×
50 cents

=

**123 billion
dollars**

Startups have huge potentials in energy saving fields



- 
- Insignificant tiny miniature risk of imported and market tested concepts and ideas

Do we really have VC in developing countries?

FINANCIAL SANCTIONS

“I still don't know how to put my money into a project in Iran”

- Sanctions, Disengagement with Iran, Isolation, and financial sanctions in particular

- Too Many Problems
- So Many Obstacles

Yet, Such a Huge Arena of Opportunities

