

## **\$100 Million Venture Capital Investment Firm Planned in Saudi**



RIYADH, 21 February 2006 -- The Saudi Arabian General Investment Authority (SAGIA), Venture Capital Bank, a Bahrain-based Islamic investment bank, and Global Emerging Markets (GEM), an international investment house with offices in New York, London and Paris, announced yesterday a cooperative effort to help establish an independent \$100 million venture capital investment company to invest in venture capital opportunities and small-to-medium enterprises in the Kingdom.

Being the first of its kind in Saudi Arabia, the objective of the company is to provide growth capital and late-stage financing to venture capital opportunities and SMEs in the Kingdom in compliance with Shariah principles.

The company will invest in SMEs with strong and experienced management teams, strong growth potential, potential for market leadership and scalable business models seeking growth capital. The company will assume a leadership role in Saudi Arabian venture capital industry with a well-defined value creation strategy and active participation in the growth of SMEs.

At a signing ceremony in Riyadh yesterday, Venture Capital Bank's chairman, Dr. Ghassan Al-Sulaiman, GEM's president, Chris Brown and SAGIA Governor Amr Al-Dabbagh, signed a memorandum of understanding (MOU), outlining the three parties' intention to work together to help establish this new Saudi company and help develop the venture capital industry.

Venture Capital Bank will be the main promoter of the new company, whereby the bank will own a significant stake in the new company and will raise the rest of the capital from strategic Saudi investors as well as high net worth individuals (HNWI) and corporate investors from other GCC countries.

Venture Capital Bank will also serve as an adviser to the new company by deploying its extensive knowledge and expertise while overseeing the new company's activities. Furthermore, Venture Capital Bank will utilize its strategic relationship with Global Emerging Markets to ensure that the new company follows international best practices.

SAGIA played a central role in facilitating the process of establishing the new company and will act as a liaison to the Saudi Arabian government with respect to foreign investments that such a focus is bound to attract.

"The signing of the MOU with Venture Capital Bank heralds a new era for SMEs and venture capital investments in Saudi Arabia as the industry will be witnessing great growth. Coupled with the engagement of international companies like GEM, the Saudi venture capital market will reach international standards," said Al-Dabbagh. Al-Sulaiman expressed his gratitude to SAGIA and said "we are proud of this partnership and would like to extend our gratitude to SAGIA for their efforts. We hope that this initiative will provide immense benefits to Saudi and regional economies. Developing SMEs in Saudi Arabia directly supports government

efforts to enhance growth, expand job creation and diversify the economy".

Abdullatif Mohammed Janahi, Venture Capital Bank's chief executive officer said that SMEs in Saudi Arabia are the main source of private sector investment and account for a dominant percentage of private enterprises. Thus, SMEs are considered to be the engine of private sector growth within developing and developed countries. They were the main drivers of growth in the economies of North America, Europe and East Asia and can play a similar role in Saudi Arabia.

"There are many undervalued and under-funded venture capital opportunities and SMEs in Saudi Arabia that can offer significant investment returns to those investors that can deploy capital through well-designed structures, set-ups and vehicles that are coupled with proper management, financial and operational expertise in the field of venture capital and private equity" added Janahi.

"Despite the strategic importance of venture capital and SMEs to the growth of the economy, very few financial institutions and other funding sources in Saudi Arabia have focused on such opportunities. This is mainly due to the fundamental challenges embedded in venture capital investments, scarcity of technical knowledge and resources in this field, and the inability of many institutions to adjust their scope of business, objectives, and their human and technical resources to incorporate such non-traditional investment activities. Therefore, a venture capital firm with appropriate operating and financial expertise and access to medium to long-term funds can significantly assist SMEs and venture capital opportunities to overcome their deficiencies and prosper," Janahi concluded.

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