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**COMMITTEE ON ECONOMIC
COOPERATION AND
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Applied Policy Seminar “Early-Stage
Financing and “Investment Readiness” of
Innovative Enterprises”

Moscow, 23 May 2008

INFORMATION NOTICE

Note by the Secretariat

I. INTRODUCTION

1. At its second session held on the 5-7 December 2007, the UNECE Committee on Economic Cooperation and Integration (CECI) noted that one of the subjects to be tackled in the future under the thematic area B: Facilitating the Development of Entrepreneurship and the Emergence of New Enterprises of its Programme of Work could be “capacity building in the area of pre-venture capital financing of start-ups, as well as assistance to overcoming the enterprise development barriers specific to small and medium-sized enterprises (SMEs)...”¹. This Information notice gives details regarding the organization and participation in the Applied Policy Seminar “Early-Stage Financing and “Investment Readiness” of Innovative Enterprises” co-organized by the All-Russian Organization of Small and Medium Business “Opora Russia” and the United Nations Economic Commission for Europe. The Applied Policy Seminar will take place in Moscow, Russian Federation, on 23 May 2008.

2. When starting a business new enterprises need financial resources which are unlikely to be available from internal sources. In order to raise finance externally, they need to present compelling proposals to would-be investors and lenders. For this, entrepreneurs need to

¹ ECE/CECI/2007/2, paragraph 12.

understand various financing options available, their implications for the future financial status of their enterprise and the best ways to present the information required by financial intermediaries. The latter circumstance is essential to obtain better asset valuations and is of particular relevance to new innovative enterprises, the competitive strength of which is largely based on their intellectual assets. However, with uncertain cash flow and inadequate collaterals, the ability of innovative enterprises to raise debt financing from traditional banking sources is limited. Specialised financial intermediaries (formal and informal venture capitalists) attuned to the particular needs of this type of enterprises are required.

3. At the same time, a local venture capital industry can only emerge if there are sufficient investment opportunities. In the same way, the development of this type of intermediaries requires enabling conditions and a suitable environment for their activities throughout the whole financing cycle (from fundraising to successful exit).

4. In many countries of the region as well as worldwide, Governments have played an important role in facilitating the financing of innovative enterprises. The support from the public sector includes the direct financing and various advisory services offered by Government bodies during the very early stages of company development. In addition, a number of initiatives have targeted the local venture capital industry with the objective of strengthening its financing capacity. Finally, the legal, regulatory and institutional environment has a direct influence on the rate of formation of new companies, their ability to raise external finance and their performance.

II. OBJECTIVES AND SCOPE

5. The Applied Policy Seminar will discuss the major issues of financing the innovative enterprises at initial stages of their development. It will consider sources of external funding for these enterprises available in the developed and catching-up economies, as well as ways and means of attracting external investors. The participants will also share their views on the conditions which render a new enterprise an attractive object of investment. These conditions include the managerial ability to present a convincing business plan, assess the available tangible and intangible assets, have a good understanding of market trends and demand for goods and services to be produced, etc. Finally, the Seminar will focus on the role of central and local Governments in facilitating the early stage financing of innovative enterprises. The exchange of opinions among Governments, entrepreneurs, financing institutions, international organizations and academia are expected to facilitate the dialogue on SME financing among the stakeholders and thus contribute to their constructive consensus. The materials of the Applied Policy Seminar are also expected to facilitate the drawing up of relevant recommendations by stakeholders to government bodies in charge of SME development.

6. The Seminar will consider three interrelated sets of issues, seeking to bring together major stakeholders in each of them:

(a) The supply of finance for innovative enterprises, including overall financial conditions for investment in innovation, and main factors influencing business angel and venture capital financing;

(b) The demand for finance, including factors that influence the formation of innovative enterprises, the understanding of the implications of equity finance by entrepreneurs and its role in business strategies, and barriers to effective communication between entrepreneurs and investors; and

(c) The role of the public sector in facilitating access to finance for innovative enterprises, including through supply of seed capital, business advisory services to foster “investment readiness”, design of co-investment schemes with private investors, and through establishing the general regulatory environment.

7. Bearing in mind the international dimension of innovation and financing, the Seminar will consider the experience in these areas accumulated so far in the UNECE region, and discuss how the lessons drawn from this experience can be applied to the specific circumstances of the catching-up economies.

8. The Applied Policy Seminar will take place at the Federal Service for Intellectual Property, Patents and Trademarks of the Russian Federation (ROSPATENT) at the following address: Berezhkovskaya Naberezhnaya, 30, Building 1, Moscow.

III. ORGANIZATION

9. The Applied Policy Seminar will take place on 23 May 2008. The registration of participants will start on 23 May at 8.30 and the Seminar will begin at 9.30 and finish at 18.00. It will be organized into an opening session, three working sessions and a general discussion session dealing with the role of Governments in facilitating the early-stage financing. The session’s moderator will briefly introduce its topic; this will be followed by a presentation by the key-note speakers and a question and answer session. The moderator will conclude by summing up the discussion. The last working session of the Seminar will be entirely dedicated to the general discussion.

IV. PARTICIPATION

10. Participation is open to interested parties from UNECE member countries and other Member States of the United Nations, representatives of United Nations specialized agencies and international organizations participating in the activities of UNECE. Broad participation of government officials, private sector, academia, and financial community is expected.

11. Governments are invited to inform their national bodies, SME and industry associations, consulting companies and other relevant organizations on the Applied Policy Seminar so as to ensure participation of the most competent experts dealing with the various aspects of early stage financing.

V. CONFERENCE FEE

12. No conference fee is charged for participation in the Applied Policy Seminar. Travel and accommodation expenses are borne by the participants.

VI. PASSPORTS AND VISAS

13. All participants should be in possession of a valid passport, with an entry visa (if required) which can be obtained from the diplomatic representation of the Russian Federation in their country of residence. It is advisable to make such visa applications well in advance of the date required.

VII. PRELIMINARY REGISTRATION

14. Interested parties are invited to fill in the attached Registration Form (Annex I) and return it by **15 May 2008** at the latest to the following addresses:

Mr. Iouri Adjoubei
Room 447, ECID, UNECE
Palais des Nations
CH-1211 Geneva 10
Switzerland
Fax: (+4122) 917 0178
E-mail: iouri.adjoubei@unece.org

or

Mr. José Palacín
Room 449, ECID, UNECE
Palais des Nations
CH-1211 Geneva 10
Switzerland
Fax: (+4122) 917 0178
E-mail: jose.palacin@unece.org

VIII. DOCUMENTATION

15. UNECE member Governments, intergovernmental and non-governmental organizations, companies and individual experts are invited to prepare papers for presentation at the Applied Policy Seminar. Topics for such papers are presented in the Preliminary programme (see Annex II).

16. By **1 May 2008**, the secretariat should receive papers for presentation in one of the UNECE working languages (English, French or Russian). The secretariat encourages submission of papers in electronic format, preferably by e-mail. The documentation for the Seminar can be consulted at the CECI web site at the following address: <http://www.unece.org/ceci/Welcome.html>. A limited number of paper copies also will be available in the meeting room.

IX. INTERPRETATION AND VISUAL AIDS

17. Simultaneous interpretation in English and Russian, facilities for projecting slides, as well as computer facilities for computer-aided presentations (e.g. Power Point) will be provided.

X. TRAVEL AND HOTEL RESERVATIONS

18. Participants are requested to make their own hotel and travel arrangements to and from Moscow.

XI. POSSIBILITIES OF ACCOMMODATION

19. The organizers would like to inform the participants of some hotels, conveniently situated in relation to the venue of the Seminar (Berezhkovskaya Naberezhnaya, 30, Building 1). The list of hotels can be found in Annex III.

XII. FURTHER INFORMATION

20. Further information on the Applied Policy Seminar can be obtained from:

Mr. Pavel Matyushechkin
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E-mail: iouri.adjoubei@unece.org

Annex I

REGISTRATION FORM

This form should be filled in and returned as soon as possible but **not later than 15 May 2008** to:

Mr. Iouri Adjoubei
Room 447, ECID, UNECE
Palais des Nations
CH-1211 Geneva 10
Switzerland
Fax: (+41 22) 917 0178
E-mail: iouri.adjoubei@unece.org

or

Mr. José Palacin
Room 449, ECID, UNECE
Palais des Nations
CH-1211 Geneva 10
Switzerland
Fax: (+41 22) 917 0178
E-mail: jose.palacin@unece.org

(Please type or write in block capitals in **English**)

Family name (Mr., Ms., Mrs.):

.....

First name:

.....

Nationality:

.....

Professional position:

.....

Representing Government,
international organization or company:

.....

Professional address:

.....

.....

Telephone (please include country and city codes):

.....

Telefax (please include country and city codes):

.....

E-mail

address.....

Annex II**PROVISIONAL PROGRAMME****Friday, 23 May 2008****9.30 - 10.00 OPENING SESSION**

Welcoming addresses: from the Government of the Russian Federation (to be confirmed)
from UNECE on behalf of the Executive Secretary
from the President of "Opora Russia"

**10.00 - 11.15 SESSION 1. FINANCING OPTIONS FOR INNOVATIVE
ENTERPRISES**

This session will discuss the problems that innovative enterprises face in raising finance and options available to them. It will consider the critical role of informal investors (business angels), which in the initial stages of company life provide not only financial resources but also managerial and technical expertise. The role of business angels' networks and syndicated deals will be explored in the context of subsequent company growth, when its financing requirements increase beyond the capacity of individual business angels. The relations between business angels and venture capitalists, which appear later in the life cycle of a company, could also be considered in this session. While business angels invest their own money, venture capitalists need to raise resources to invest in attractive companies, so the conditions for fundraising could also be explored. Since ultimately, investors in innovative enterprises want to realise a profit by selling their stakes the conditions for their unimpeded exit from the market will also be considered. The international organizations will share their experience in advancing the venture capital financing, as well as promoting the investments skills and associated expertise in countries where the venture capital industry is less developed.

Speakers: Representatives from business angel associations
Representatives from venture capital associations
Representatives from international organizations

11.15 - 11.30 Coffee break**11.30 - 13.00 SESSION 2. INVESTMENT READINESS OF INNOVATIVE
ENTERPRISES**

The session will explore the conditions which enable innovative enterprises to raise external resources, in particular equity, and facilitate their effective communication with prospective investors and lenders. In particular, it will discuss various dimensions of the "investment readiness" of enterprises, including the understanding by entrepreneurs of the existing financing options and their implications, the quality of investment plans and the ability to identify competitive strengths, which prospective investors look for in new companies potentially attractive for investment. The session will also consider different programmes aiming

to promote “investment readiness”, carried out by enterprise associations, governments departments and international organizations. The discussions will seek to identify benefits of various types of supporting activities in this area and pitfalls that need to be avoided in order to render the assistance to innovative enterprises more effective.

Speakers: Representatives from enterprise associations
Domestic and foreign investors
Representatives from enterprise promotion entities
Representatives from international organizations.

13.00 - 15.00 Lunch break

15.00 - 16.30 SESSION 3. THE ROLE OF THE GOVERNMENT

The session will discuss public policies facilitating the access of innovative enterprises to finance at initial stages of their development. In particular, it will consider policy measures facilitating the formation of new business entities with good prospects (“deal flow”) in numbers sufficient to sustain a thriving venture capital industry. Ways and means of “seeding” innovative firms by Government bodies could also be considered at this session. The discussion will cover the Government’s engagement in various forms of equity financing and guarantee provision, which in many cases implies the collaboration with the private sector. The participants will share the international experience of various policy instruments aimed at fostering the enterprise formation and financing. Their effects will be assessed with due regard to the peculiarities of individual countries.

Speakers: Representatives of Governments
Domestic and foreign investors
Entrepreneurs

16.30 - 16.45 Coffee break

16.45 - 18.00 SESSION 4. GENERAL DISCUSSION: FURTHER COOPERATIVE ACTION

This concluding session will draw on the debates of the preceding sessions to provide an integrated view of the financing cycle that facilitates the identification of bottlenecks and the adoption of corrective policy actions. The discussion will focus on opportunities for dialogue between Governments and entrepreneurs at central, regional and local levels to foster financing potential of new innovative enterprises. This session may endeavour to provide background for some practical recommendations from stakeholders to Government bodies dealing with SME promotion and consider some follow-up action.

Panel: speakers from the previous sessions

Annex III**LIST OF HOTELS²**

[ENGLISH ONLY]

Hotel “Akademicheskaya”
Donskaya str., 3
“Oktiabr’skaya” metro station
(two stations by metro and 4 stops by trolleybus to the venue of the Seminar)
Single room: RUB 5850
Double room: RUB 6690.
Tel. (booking): +7495 777 1938
web site: <http://www.hotel-academ.ru/main/>

“Park-otel AST Gof”
Bol’shaya Filevskaya str., 25
“Bagratiyovskaya” metro station
(about 30 minutes to the venue of the Seminar by metro and trolleybus)
Single room: RUB 2995
Double room: RUB 4195
Tel. (booking): +7495 777 1938
Fax: +7495 777 1939
web site: <http://hotels.avelonbeta.ru/moscow/ast-gof.php>

Hotel “Belgrad”
Smolenskaya str., 8
“Smolenskaya” metro station
(about 30 minutes to the venue of the Seminar by metro and trolleybus)
Single room: RUB 4800
Double room: RUB 6400.
Tel. (booking): +7495 785 1263
web site: <http://www.belgrad-hotel.ru/>

Hotel “Radisson – Slavianskaya”
Evropy sq., 2
“Kievskaya” metro station
(10 minutes walk to the venue of the Seminar)
Single room: n/a
Double room: n/a
Tel. (booking): +7495 921 4105
web site: <http://redisson.bookin.ru/>

² Rates quoted were taken from the websites of each hotel.