

## Concluding seminar: Options for delivering risk capital to innovative enterprises in Belarus

30 September 2020

10:00-12:30 Minsk time

*Webinar*

Securing financing is important for innovative firms – and vital for enabling and promoting innovation for sustainable growth and development. Insufficient or inappropriate means of external finance often compound the risk inherent in innovation and constrains the broad experimentation with new ideas that is essential for Belarus to reach the Sustainable Development Goals (SDG).

Governments across the region, including in Belarus, have put in place a range of measures to enable, facilitate, and subsidise innovation and entrepreneurship – from subsidised loans and loan guarantees over vouchers to outright grants. Many of these efforts, as, inter alia, the 2017 UNECE Innovation for Sustainable Development Review (I4SDR) of Belarus shows, have not had the intended effect of ensuring that experimentation takes place that would not have taken place otherwise, and that functioning, sustainable markets emerge. As a result – a growing concern not only because the importance of innovation in Belarus, but also because of the need to ensure that fiscal resources are used as efficiently as possible.

An important part in the efforts to reform Government policies to enable and subsidise access to finance for entrepreneurship and innovation in the economy is the aim to develop a functioning market for equity financing of innovative, risky initiatives with large potential private and, most importantly, social returns (in the shape of demonstration and spill-over effects, employment, creation of new sectors, and fiscal revenue). Equity finance, in contrast to debt-based instruments, is much better able to finance these types of initiatives – although most innovative projects that venture capitalists invest in fail, the minority of investments that succeed generate returns that compensate for those losses if they are part of a diversified portfolio and run by experienced fund managers.

The Government can provide an impulse to the development of markets for different types of equity financing, including venture capital and, at later stages, public listings. The most important piece of the puzzle, is to get the rules of the game right and ensuring transparency of legislative and regulatory frameworks, and balanced investor protection. While Belarus is already working on this, this joint Belarus-UNECE work stream looks at one important complementary measure: how the Government could partner with investors and intermediaries to set up a pilot mechanism for investing in innovative projects in the private sector that would absorb potential losses in exchange for a proportionate share of potentially substantial returns from the projects that succeed. Operating on commercial principles and managed independently based on a simple SDGs-related public mandate that defines and circumscribes target investments, this arrangement would support private sector innovation and could be used to facilitate and catalyse more venture capital investment in innovative projects in Belarus. This would have several distinct advantages, including the ability to outsource investment decisions and

asset management to private investors, and the possibility to capture some of the returns of successful projects through a direct or indirect equity stakes.

### Purpose of the webinar

Based on its long-standing relationship and the 2018 UNECE-State Committee for Science and Technology (SCST) MoU, and with financial support from Sweden, this webinar is the capstone of a two-year capacity-building programme on promoting and defraying the risk of financing private sector innovation, especially through equity mechanisms, which is part of the Inter-sessional Implementation Plan for 2019-2020 of the UNECE Committee on Innovation, Competitiveness and Public-Private Partnerships<sup>1</sup>.

The first two workshops under this programme, in May and December 2019, explored access to finance needs and basic principles for public-private venture capital funds and how these principles, along with lessons learnt from similar initiatives across the world, could be applied in Belarus. A concept note was prepared by UNECE experts in consultation with the local task force Public-private venture capital funds for innovative projects. The concept note informing the discussion of this webinar, details several models of equity mechanisms and with government participation. It will be shared in advance with registered participants. This webinar concludes this programme, and serves to present and discuss this concept note as well as next steps.

The target participants for the workshop are policy makers, government officials, investors, financial institutions, innovative private and state-owned enterprises, potential entrepreneurs, enterprise support institutions such as incubators and technology parks, R&D organisations and universities.

### DRAFT AGENDA

10:00-10:20	<p><b>Opening remarks</b></p> <ul style="list-style-type: none"> <li>• <b>Alexander Shumilin</b>, <i>Chairman, State Committee on Science and Technology, Republic of Belarus</i></li> <li>• <b>Elena Perminova</b>, <i>Deputy Minister, Ministry of Economy, Republic of Belarus (tbc)</i></li> <li>• <b>Joanna Kazana</b>, <i>UN Resident Coordinator in Belarus</i></li> </ul>
10:20-10:30	<p><b>Background and process overview</b></p> <ul style="list-style-type: none"> <li>• <b>Anders Jönsson</b>, <i>Chief, Innovative Policies Development Section, UNECE</i></li> </ul>
10:30-11:10	<p><b>Session 1 Options for delivering risk-capital to innovative enterprises in Belarus</b></p> <p>This session will present and discuss several risk-capital options available to Belarus:</p> <ul style="list-style-type: none"> <li>• the “<i>co-investment</i>” model with two types of governmental support: a) a privately managed government-backed venture capital fund that invests on a non-exclusive basis in innovative companies, and b) public investment as a co-limited partner in a privately managed venture capital fund.</li> </ul>

<sup>1</sup> Available at

[https://www.unece.org/fileadmin/DAM/ceci/documents/2019/CICPPP/Official\\_documents/ECE\\_CECI\\_2019\\_8\\_1900\\_973E.pdf](https://www.unece.org/fileadmin/DAM/ceci/documents/2019/CICPPP/Official_documents/ECE_CECI_2019_8_1900_973E.pdf)

	<ul style="list-style-type: none"> <li>• the “<i>equity carry</i>” model functioning as contractual arrangement to acquire equity shares from private investors for a fixed period, with a simultaneous agreement to sell them back at a pre-specified price in the future.</li> <li>• the “<i>fund-of-funds</i>” model requiring the establishment of a public fund of funds that invests in existing privately managed venture capital funds.</li> </ul> <p>In all cases, the design, management, and incentive structures of these arrangements are determinants of their performance. Given the uncertainty entailed in innovative activities, the arrangements rely on contractual mechanisms to provide assurance that the incentives of demand-side and supply-side participants are properly aligned to work towards the best attainable outcome.</p> <p><b>Presentations</b></p> <ul style="list-style-type: none"> <li>• <b>Stephen Lumpkin</b>, Senior independent consultant on access to finance (formerly OECD)<sup>2</sup></li> <li>• <b>Antonio Fanelli</b>, Senior independent expert on SME policy AF Consulting<sup>3</sup></li> </ul> <p><b>Questions and Answers</b></p> <ul style="list-style-type: none"> <li>• How would you characterise the range of potential investors in risk-capital in the domestic market?</li> </ul>
11:10-12:20	<p><b>Session 2: Panel discussion: Priority policies to move the process forward</b></p> <p>The various forms of risk capital (e.g. angel investing and venture capital) are a partial solution to an imbalance between the supply of capital from traditional financial institutions and a significant potential demand for funding by new or high-risk projects for high growth and profitability. These mechanisms require an appropriate enabling environment (such as favorable business and investment climate, legislation transparency, enforceability of contracts, and bankruptcy regime). This session will discuss the on-going government initiatives advancing the legislative framework required for the efficient implementation of venture funding mechanisms and which are the most important next steps.</p> <p><b>Moderator: Anders Jönsson</b></p> <ul style="list-style-type: none"> <li>• <b>Dmitry Krupski</b>, Head, Department of Economy of Innovation Activities, Ministry of Economy, Republic of Belarus</li> <li>• <b>Yury Komar</b>, Head, Planning, Economics and Finance Department, State Committee on Science and Technology, Republic of Belarus (tbc)</li> <li>• <b>Jury Serikov</b>, Principal Banker, European Bank for Reconstruction and Development (EBRD) (tbc)</li> <li>• <b>Vladimir Yermolovich</b>, Director, Belarus office, Eurasian Development Bank</li> <li>• <b>Nikolay Shestak</b>, Managing Partner, Zubr Capital (tbc)</li> </ul>

<sup>2</sup> Under UNECE consulting contract for this assignment

<sup>3</sup> Under UNECE consulting contract for this assignment

	<ul style="list-style-type: none"> <li>• <i>Ludmila Antonovskaya, Director, Advanced Instrument Manufacturers Association</i></li> <li>• <i>Anastasiya Khamiankova, BelBiz</i></li> </ul> <p><i>Guiding questions</i></p> <ul style="list-style-type: none"> <li>• Where does equity-type capital via dedicated investment funds fit within the broader programmes of public-sector support for innovative activities?</li> <li>• What arrangements are envisaged to avoid duplication and overlap or working at cross-purposes among different public institutions, SME promotion agencies, or different levels of government (e.g., regional vs national)?</li> <li>• Should a lead agency be designated to oversee coordination across all of the programmes or is the coordination to be managed through inter-agency cooperation?</li> <li>• If an inter-agency arrangement is to be adopted, how is the cooperation to be operationalised?</li> </ul>
12:20-12:30	<p><i>Summary and closing remarks</i></p> <ul style="list-style-type: none"> <li>• <i>Anders Jönsson, Chief, Innovative Policies Development Section, UNECE</i></li> <li>• <i>Andrey Kosovskiy, First Deputy Chairman, State Committee on Science and Technology, Republic of Belarus</i></li> </ul>