

The logo for FORA, consisting of the letters 'FORA' in a serif font, centered within a dark blue square. The square is divided into four quadrants by a vertical and a horizontal line.

FORA

# UNDERSTANDING RISK CAPITAL POLICIES

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FORA

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# Top of the Iceberg...

Some definitions...

Capital under management, # investors, \$ invested  
(supply side focus)

Supply side issues

Sizes of financing gaps across countries

Reasons for financing gaps

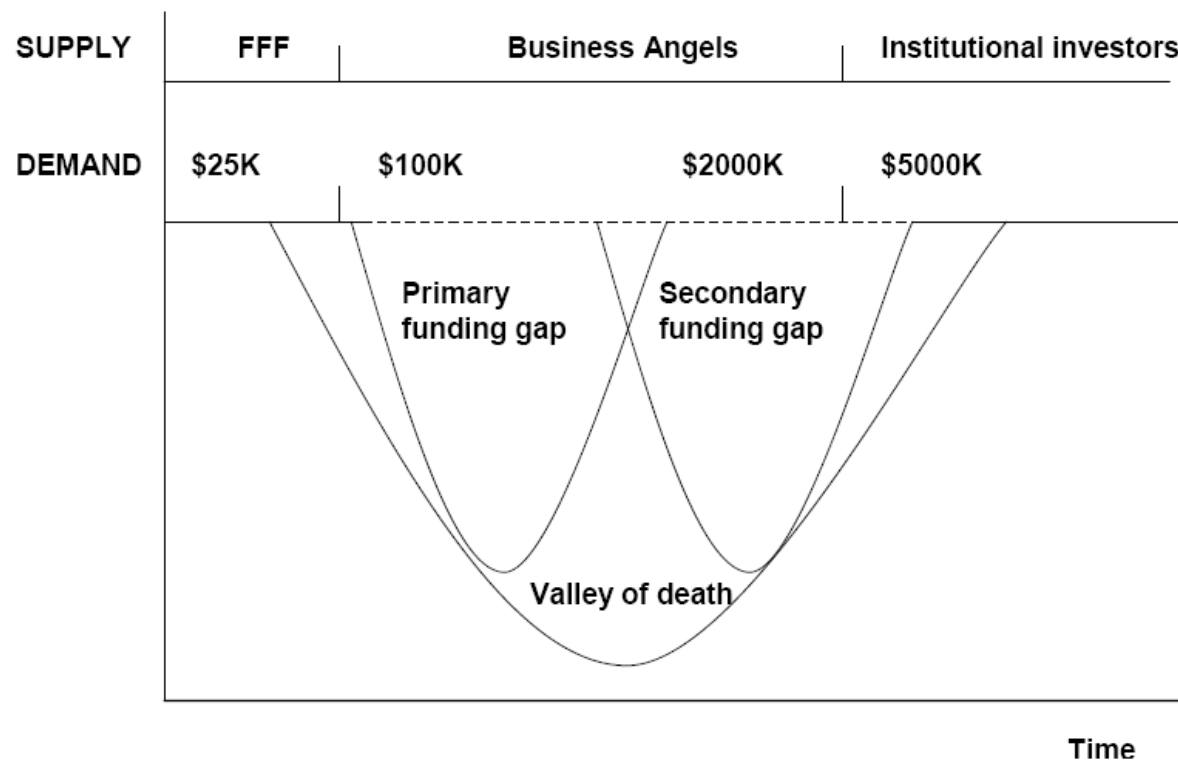
International compatible definitions ??

Demand side issues

Effect of policies

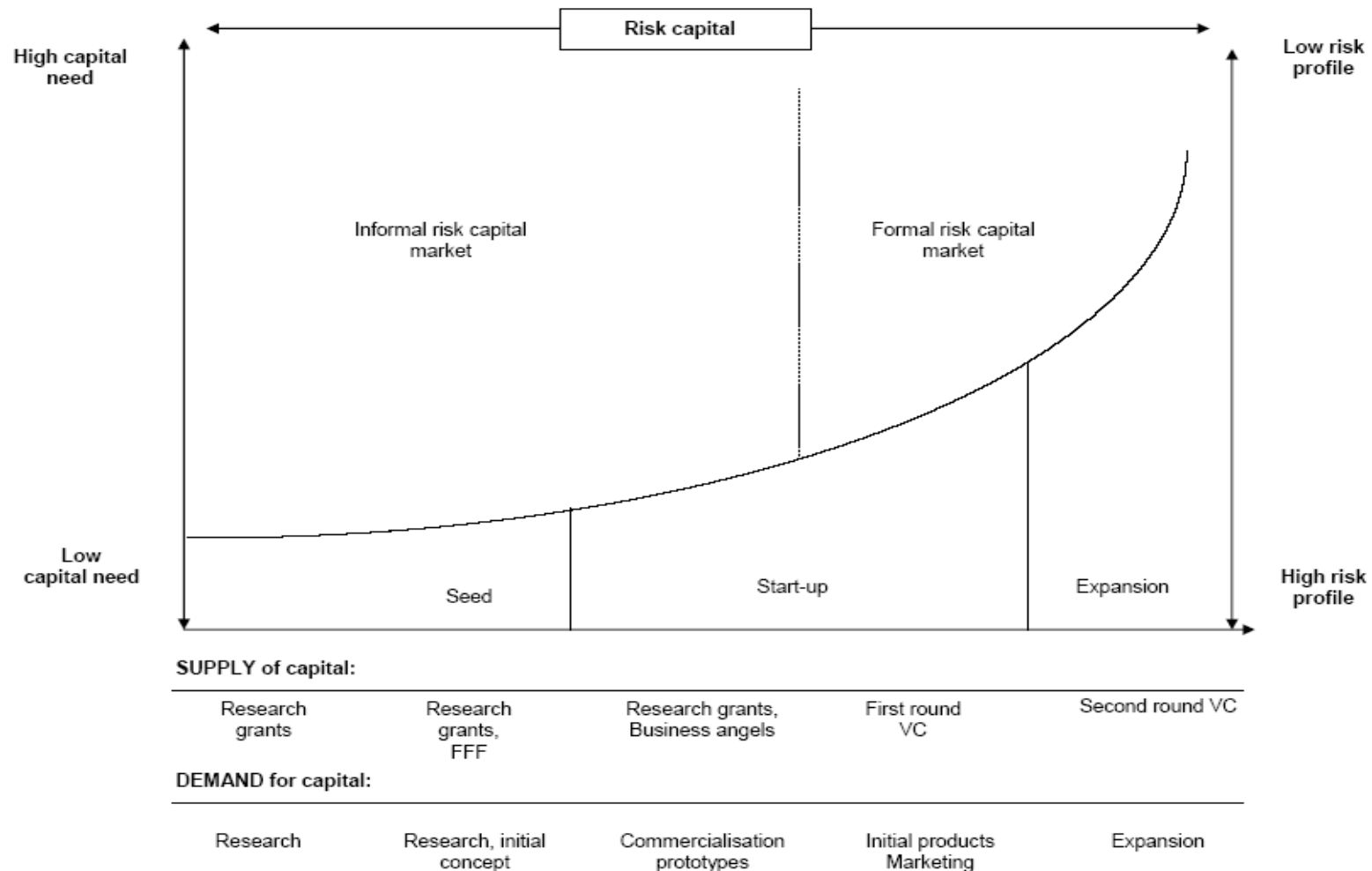
# The Financing Gaps (Sohl, 1999)

## – But Do They Vary Between Countries and Why?



# Risk Capital Definitions

– Have We Finally Reached Consensus???

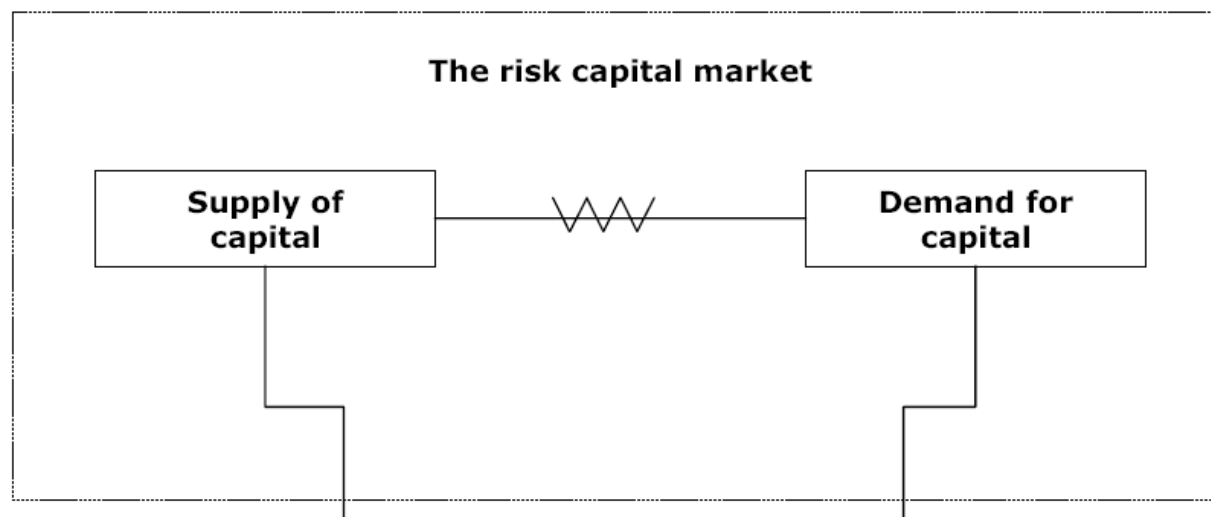


## Risk Capital Consensus?

### – No, Not Yet....

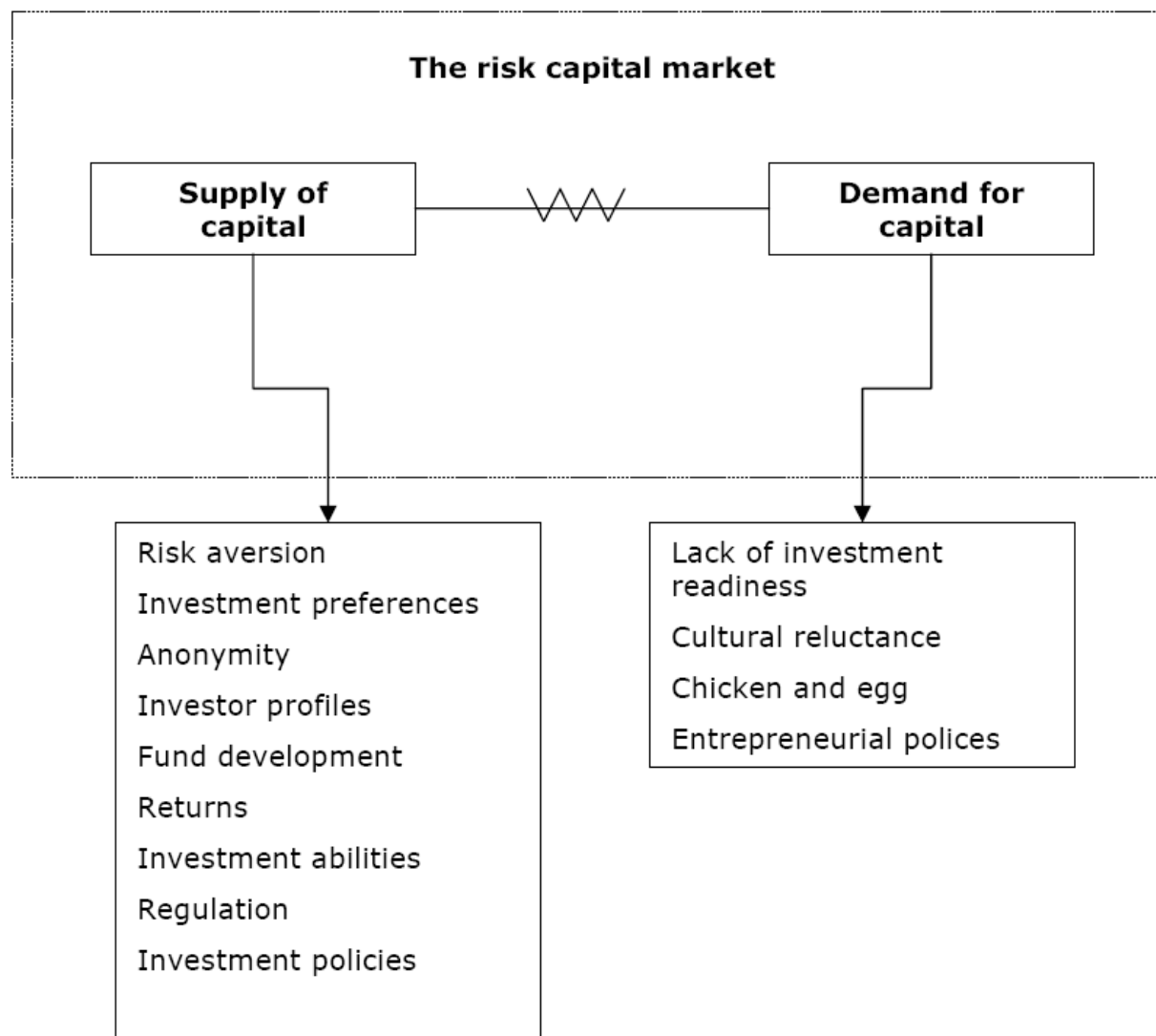
- > According to NVCA... “the venture capitalist may invest in a company **throughout the company’s life cycle** and therefore some funds focus on **later stage** investing by providing financing to help the company grow to a critical mass to attract public financing through a stock offering. At the other end of the spectrum, some venture funds specialize in the **acquisition, turnaround or recapitalization** of public and private companies that represent favorable investment opportunities” (NVCA 2006).
- > According to EVCA ... “venture capital is, strictly speaking, a subset of private equity and refers to equity investments made for the **launch, early development, or expansion of a business**” (EVCA 2006).

# Explaining the Gaps and Finding Solutions – Turning to Public Policies..





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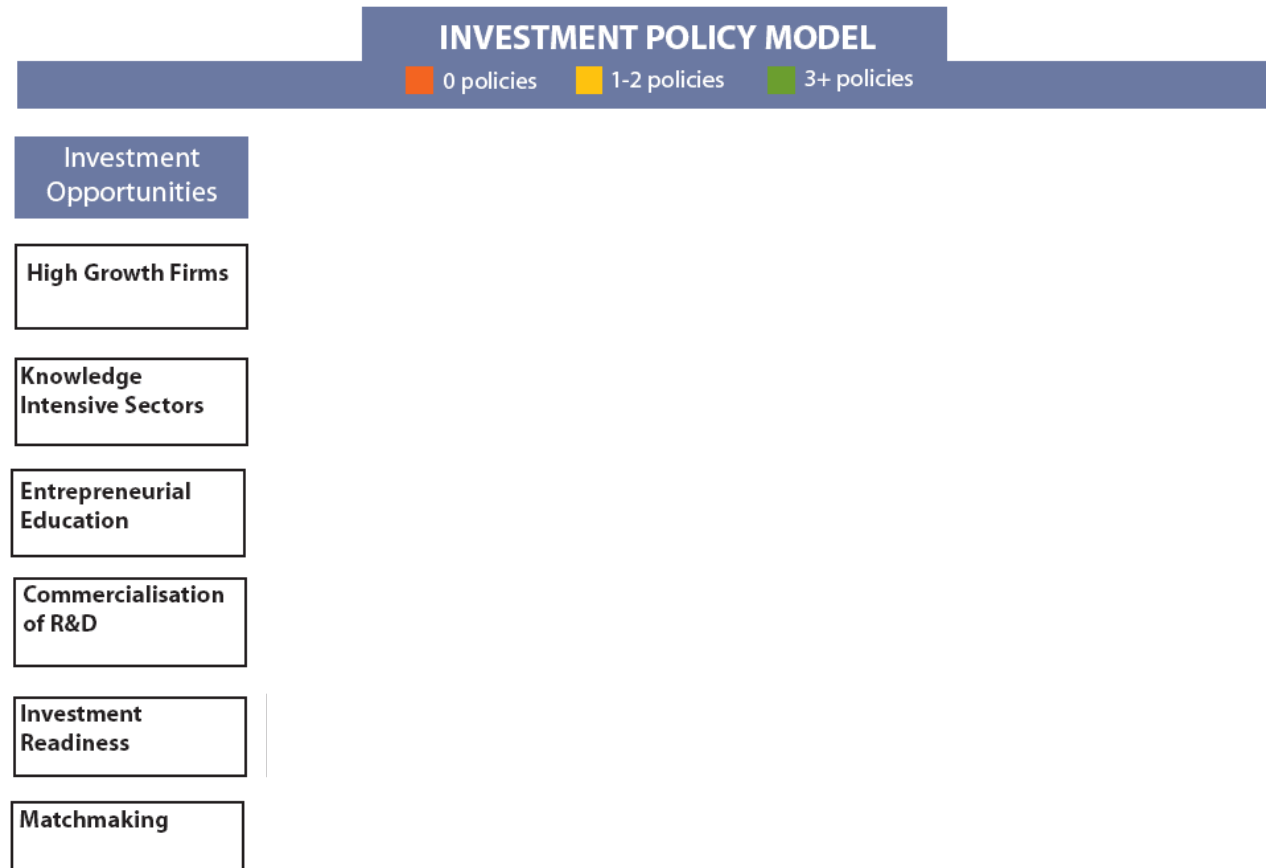


*2006/2007*

**An Investment Policy Model was developed by the International Consortium on Entrepreneurship (ICE)**

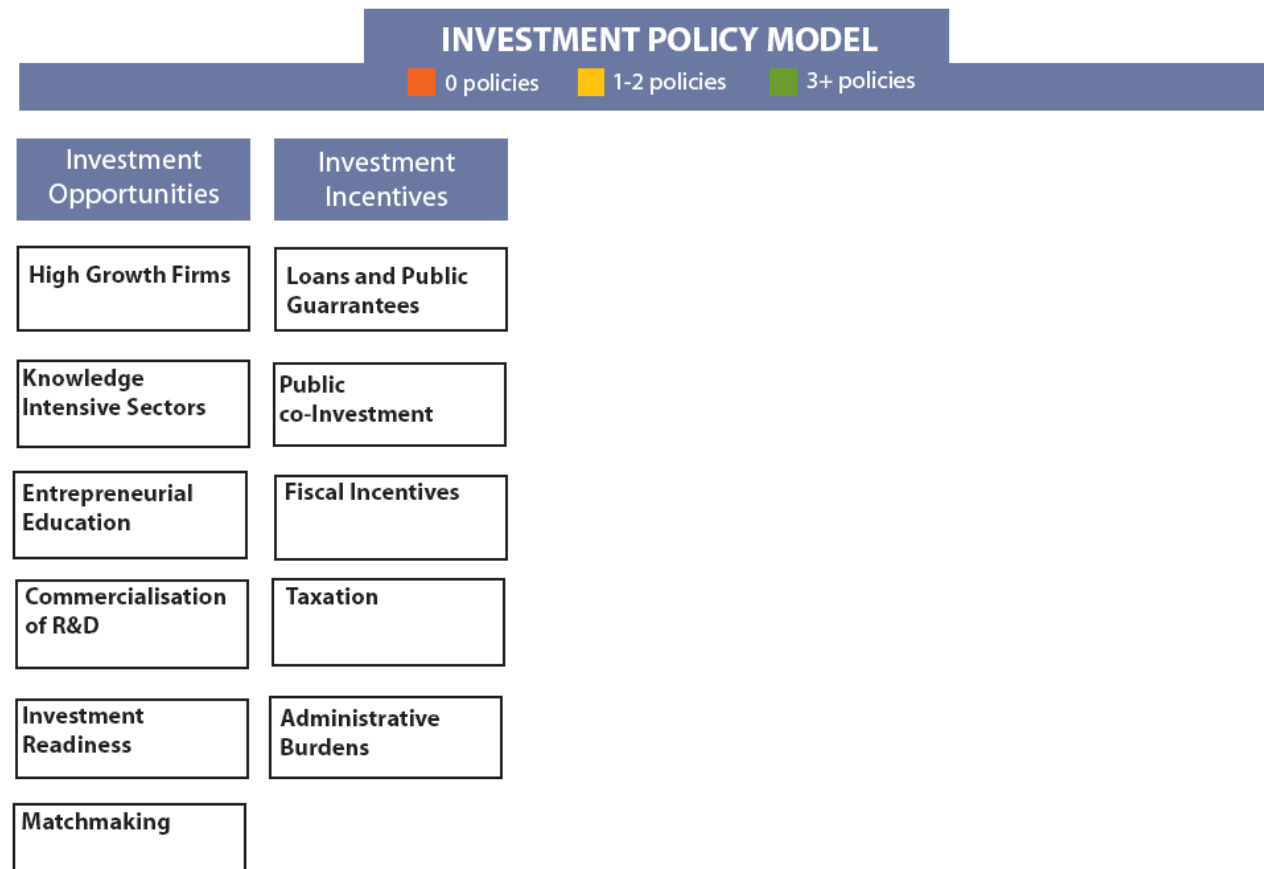
**ICE countries: Canada, Nordic, the Netherlands, UK and the US**

# An ICE Investment Policy Model - Mapping Countries' Policy Performance



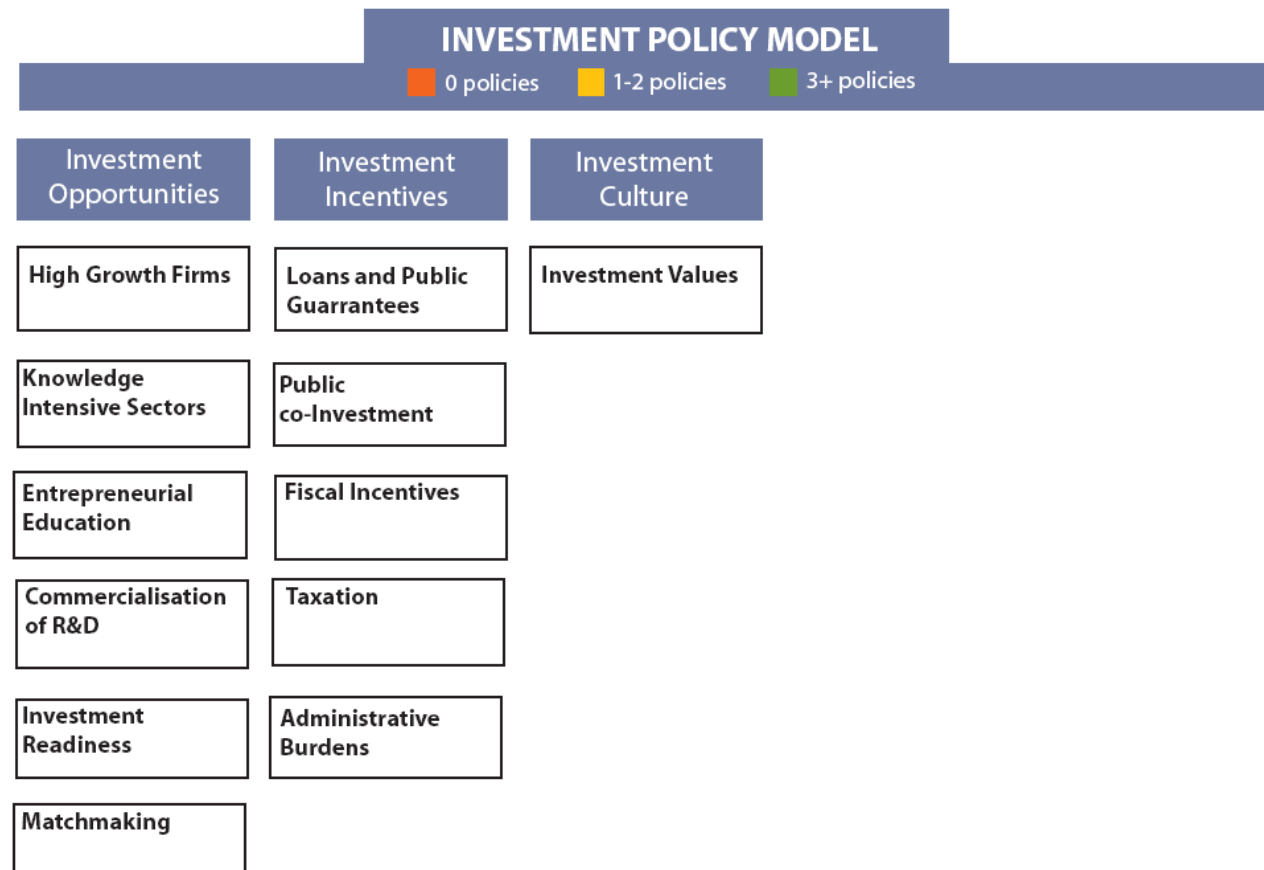
# An ICE Investment Policy Model

## - Mapping Countries' Policy Performance



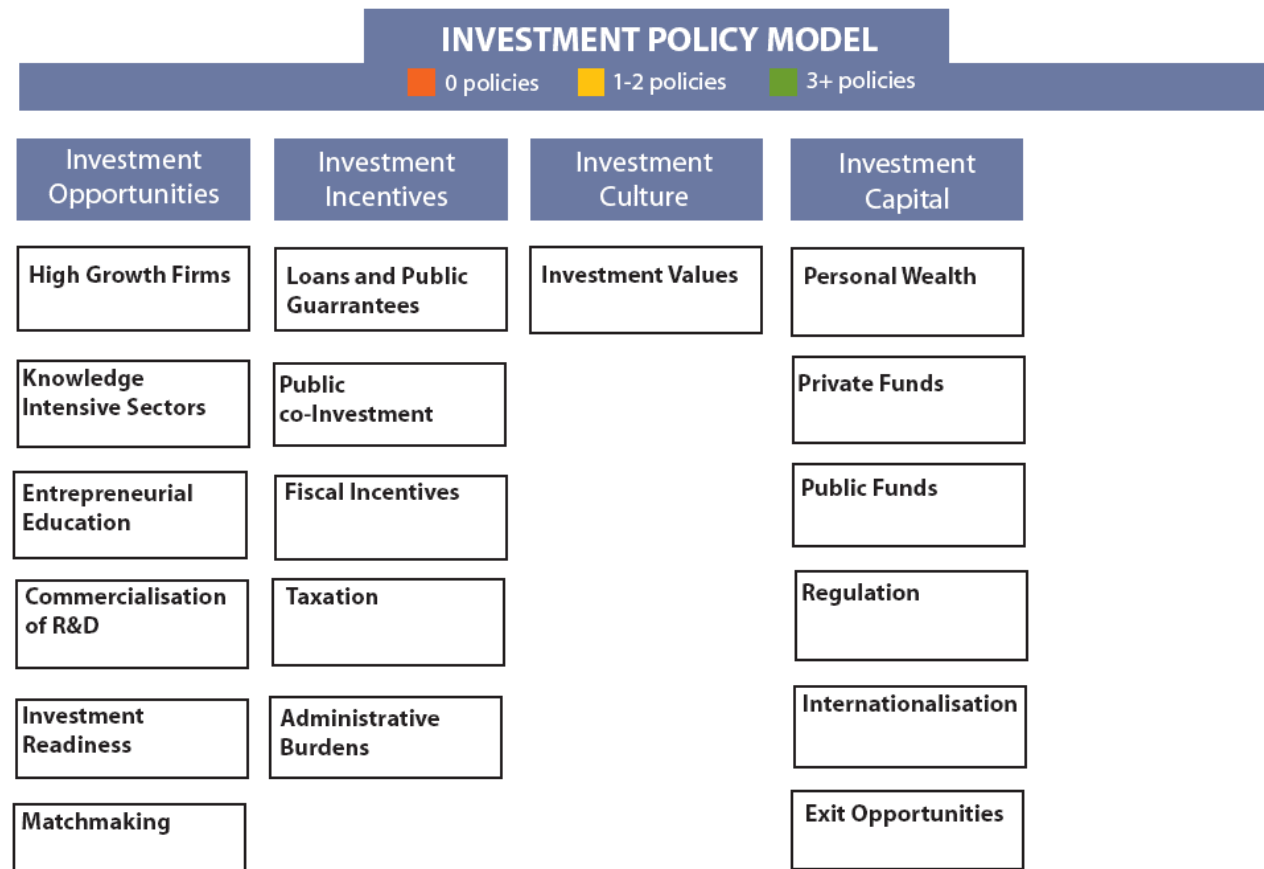
# An ICE Investment Policy Model

## - Mapping Countries' Policy Performance



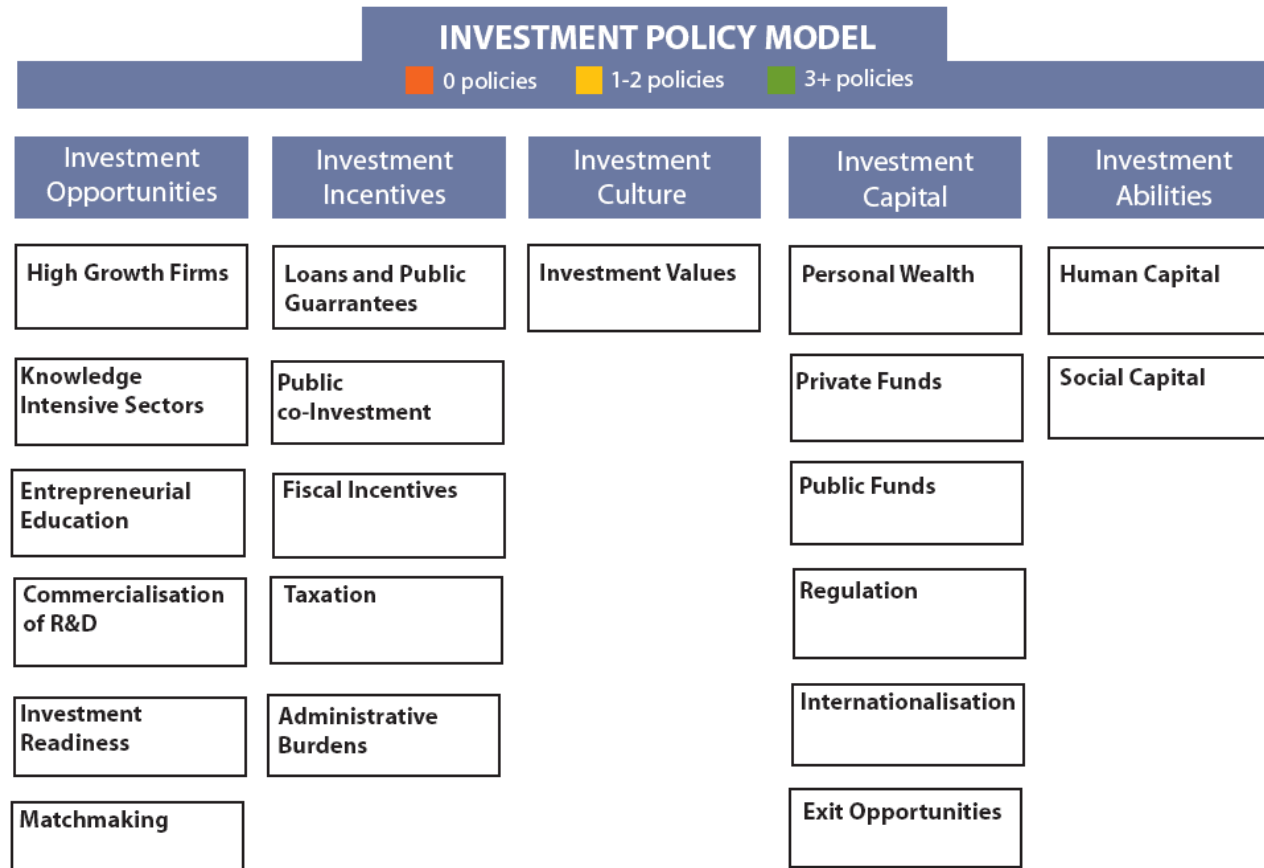
# An ICE Investment Policy Model

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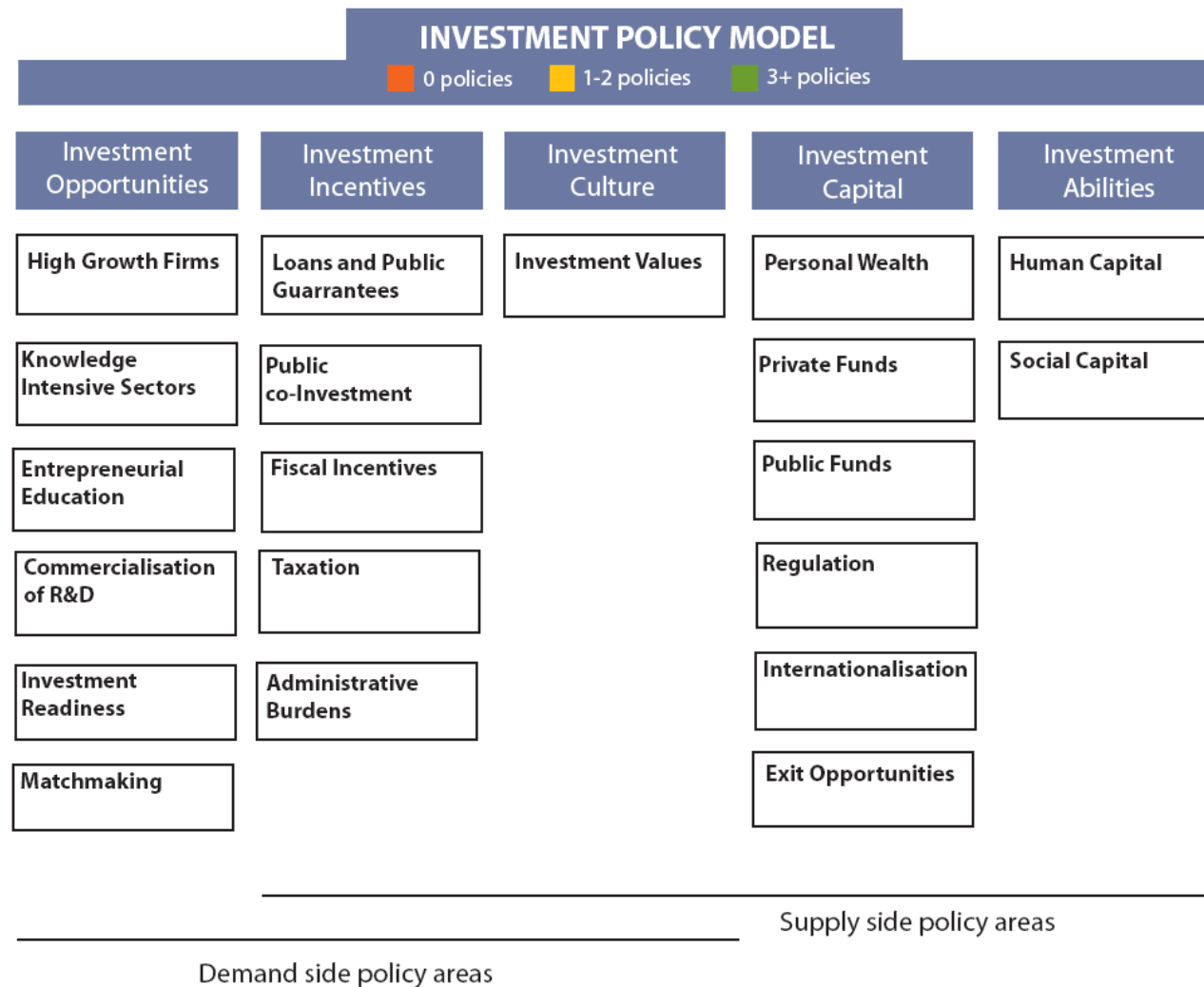
# An ICE Investment Policy Model

## - Mapping Countries' Policy Performance



# An ICE Investment Policy Model

## - Mapping Countries' Policy Performance



## ICE Mandate

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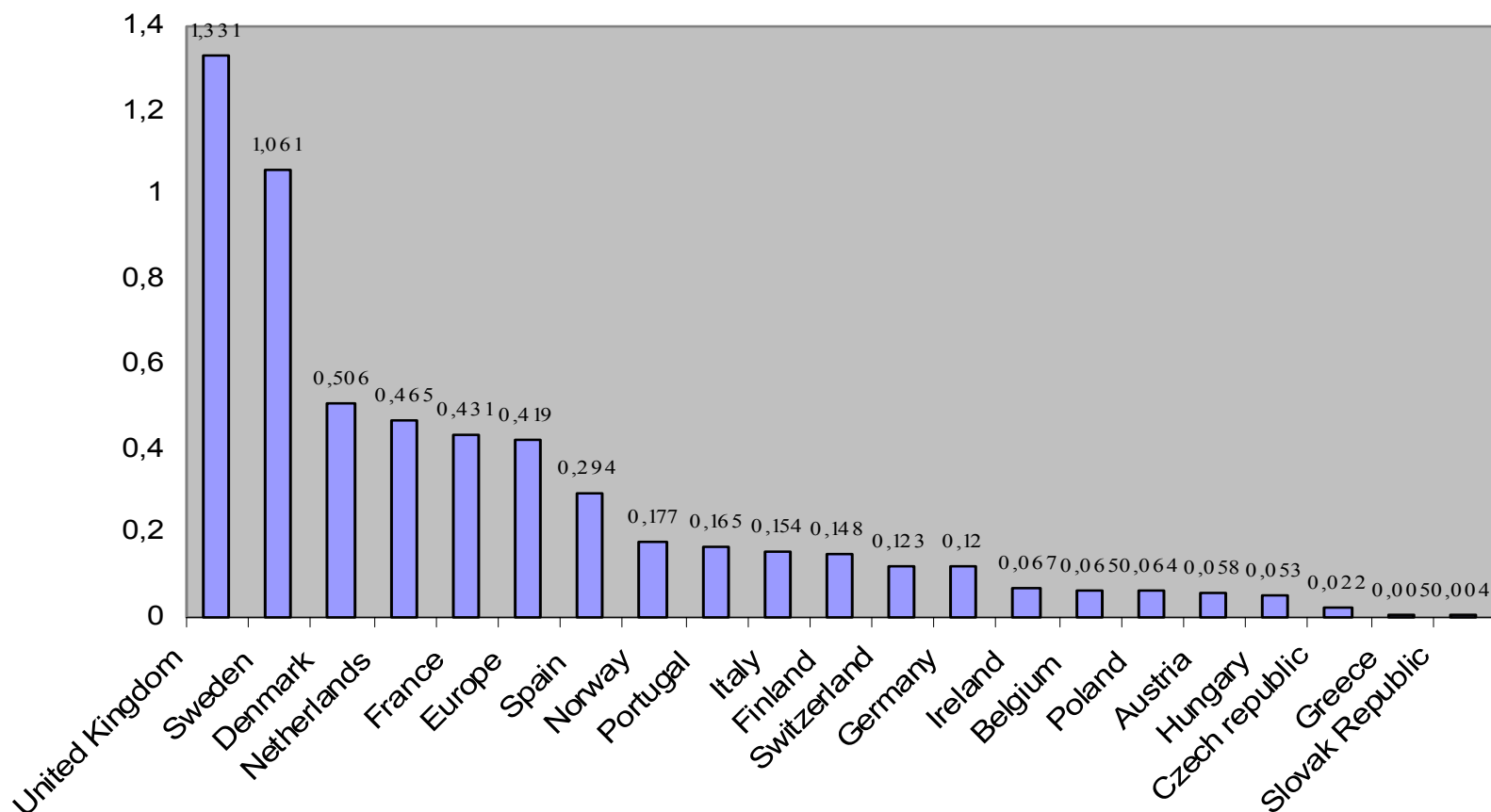
In Fall 2006, ICE members decided to:

- > Enhance the understanding of risk capital policies and data
- > Danish FORA
  - > The Analytical Framework + Policy Track
- > The OECD
  - > The Data Track
- > The Consortium should conduct policy studies in each ICE country



# **A Dutch Risk Capital Policy Study**

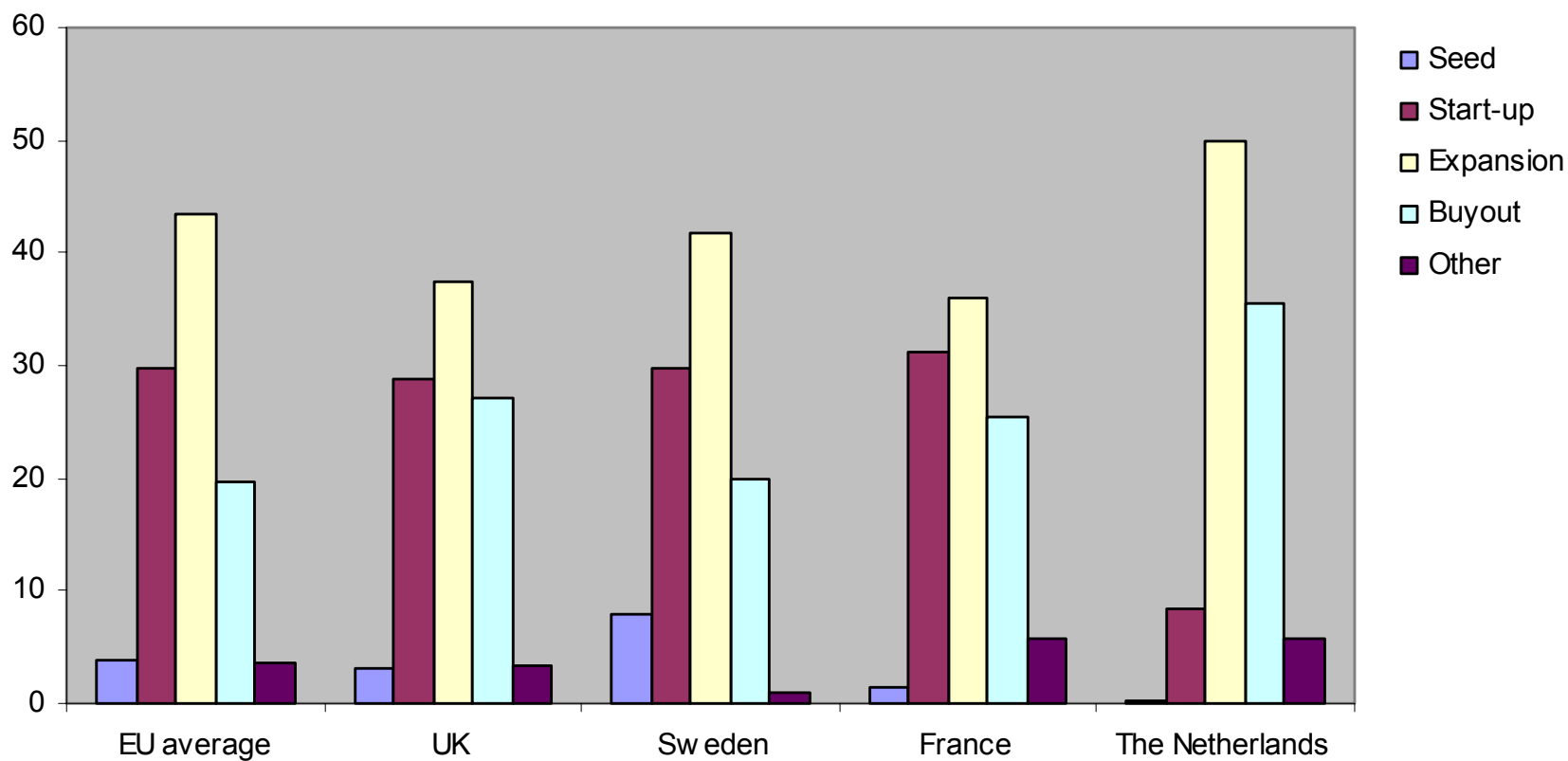
## A strong Dutch private equity market (as % of GDP, 2005)



Source: EVCA (2006)

## Primarily later stage activities

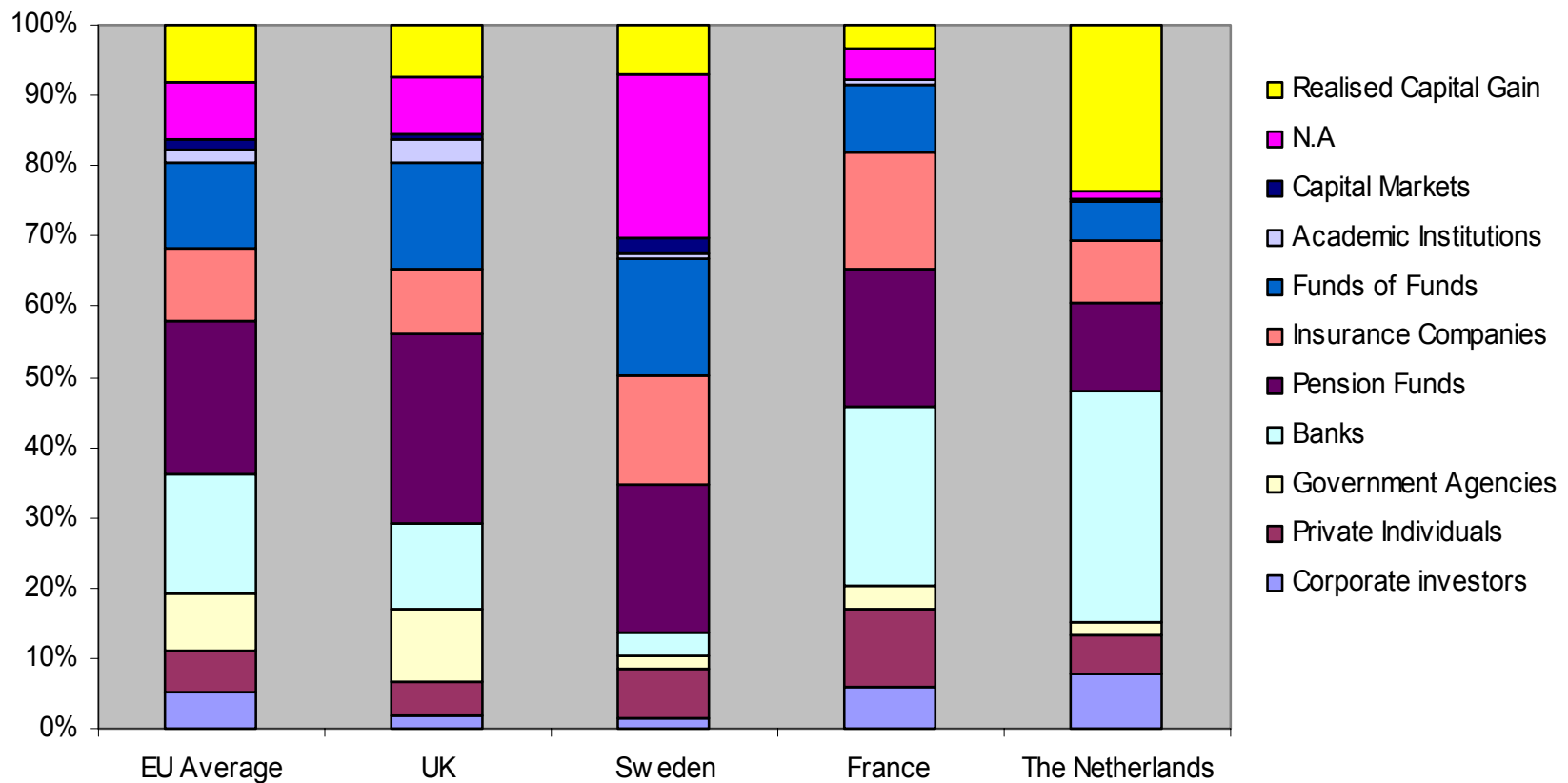
2004-2005 (% of total number of investment)



Source: EVCA (2006)

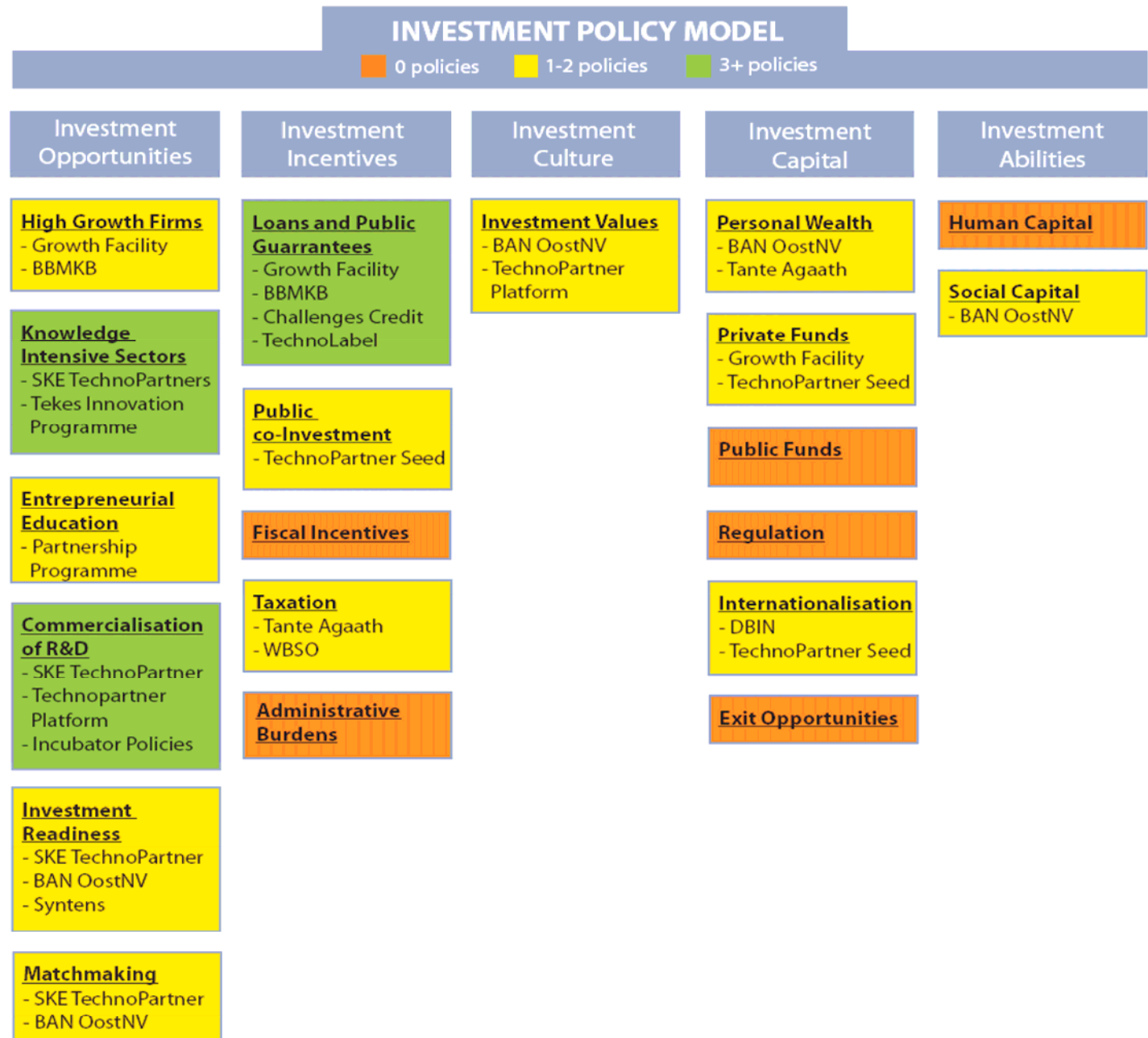
# With heavy bank involvement in the market

## 2004-2005 (amount raised)



Source: EVCA (2006)

# Policy Results NL



## Some Preliminary Conclusions

- > A strong Dutch private equity market with a long tradition for investment
- > Offering sound financial support to domestic firms

### **But...**

- > Currently lack of early-stage risk capital
- > Dutch Government's risk capital policies demand side oriented
- > Focus on providing loan and guarantees schemes
- > Need for intensified demand side focus
- > Need to pull down domestic investors from later-stages

### **Looking ahead**

- > More ICE national risk capital policy studies coming up (DK, Canada, Nordic, US...)
- > Useful for benchmark and policy recommendations