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Purposeful venture capital investment for the new EU economy: Leveraging EU Instruments to solve venture capital challenges through public-private investor partnerships

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About the Speaker

Board Member of EBAN

European Trade Association for Business Angels

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Chairman SEERC

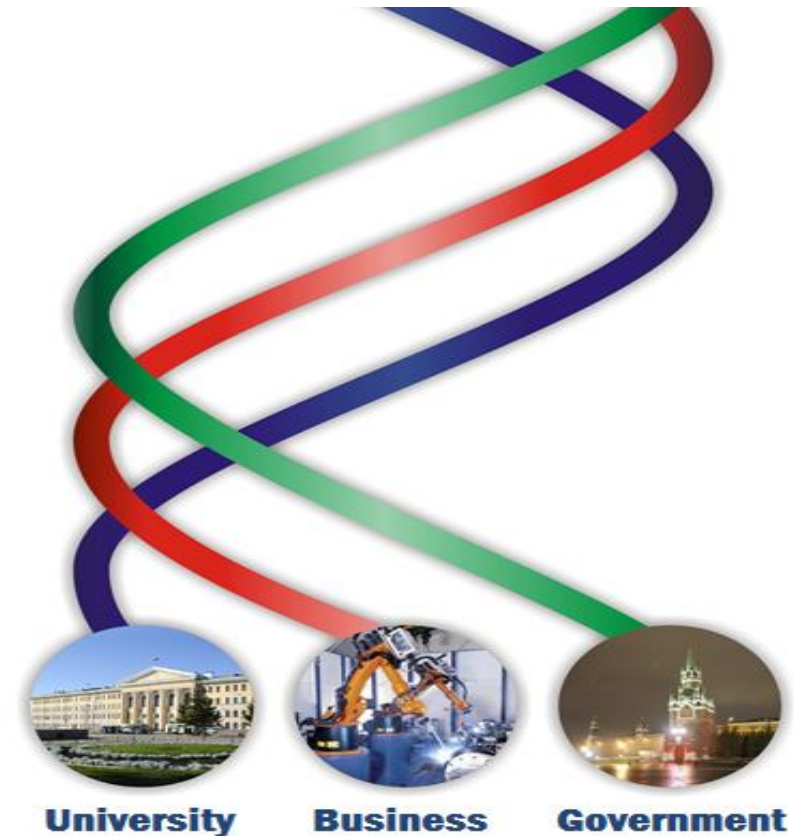
South East European Research Centre - SEERC

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Senator of Greece for WBAF

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Current business context

- In a world of disruption, we do not need to survive, but rather to **thrive (better business & accountable companies)**.
- **Wealth creation** & enterprise are drivers of development.
- Free enterprise capitalism is good, but profit maximization is not the solution.

NEW AGENDA

Businesses that lead **the growth & social wellbeing by having a PURPOSE !**

Public Private investor partnerships are needed to fund the creation of new innovations and to support their testing and development.

The SOLUTION (moral capitalism)

to make public and private investors work together towards achieving inclusion & environmental sustainability in the EU startup/scale up scene ?

"It is necessary to reform in order to preserve"

(Thomas Macaulay)

Venture Capital in the EU – Overview

- **Top contributor** to the “new economy”
- **Most developed worldwide** (public funds)
- **Private funds – less developed** as compared to many developed countries & **regions worldwide**
- **Inclusion, Responsibility & Environmental Sustainability are becoming the norm, though there is no common framework to achieve this**



Venture Capital in the EU – Challenges

- ✓ **Lack of** standardized investment criteria / **KPIs to monitor** the social & environmental impact of startups/scaleups
- ✓ **Limited** support/incentives for investing in **emerging sectors/innovations** (i.e. here – PPI could be the solution)
- ✓ **Few** tax & proper exit incentives for private investment in impactful startups/scaleups
- ✓ **Limited** priority for public procurement given to young startups (that would further attract private investment)
- ✓ **Limited support** (still) for **cross-border investment** via existing instruments (CMU, EUVECA, EUSEF, InnovFin SME, COSME, etc)
- ✓ **Isolated cases** of PPI for university spin-offs

(Sources: OECD, 2019; EIB, 2018; UK.Gov, 2015)

What is Responsible (Research) & Innovation (RRI)

RRI is a new European paradigm through which all innovation efforts should be done in a responsible way by relying upon the following (relevant) pillars (high-level check-list):

➤ Gender-balance in innovation development, deployment & use

➤ Ethics

➤ Responsibility & sustainability

➤ Public (citizen/consumer) & stakeholder engagement and inclusion (quadruple helix)

(SOURCE: RRI Tools, 2019)

So, what can a potential solution be?



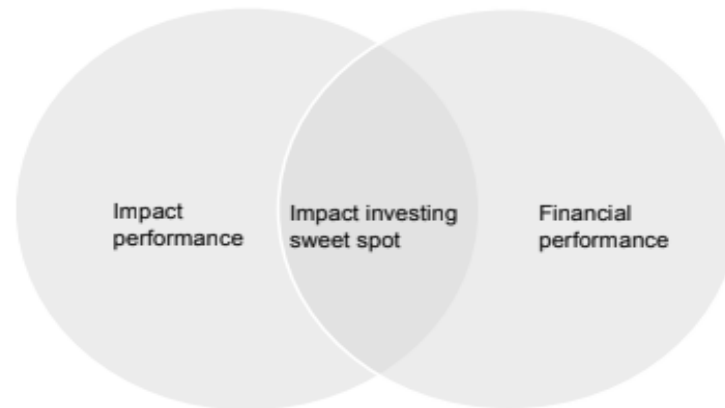
A Responsible Innovation Enabled "Public-Private Venture Capital Powerhouse"

Powerhouse – a regional joint establishment of public and private Venture Capital Markets aimed at investing in (responsible) startups/scaleups that fit within the smart specialization strategy of that region.

Start-ups/companies require investments for operationalizing/scaling an innovation. And the keyword at this point is the **"innovation"**.

If this innovation would make the world better (**RRI-compliant**), then the public VC investors should have better incentives to invest (if compliant with the financial viability of course).

Similarly, the private investor would co-invest (through this powerhouse partnership) considering that they will receive proper tax & exit incentives. This can fit within the smart specialization strategy of the region where the powerhouse is placed.



PPI POWERHOUSE

An association/institution of regional authorities, public investors, private investors, startups, enterprises – all focusing on the smart specialization areas of that region in an **RRI- compliant manner.**

A Responsible Innovation Enabled "Public-Private Venture Capital Powerhouse"

Private investors will invest if they know that the customers (society) would be more interested in a responsible product/process (and this can be achieved through the RRI approach).

Public Venture Capital Markets will therefore continue to invest in the **smart specialization area** of that region to make it more competitive and innovative – paving the way thus for private funds to increase their investment in responsible startups/scaleups from that region that fit the development areas.

This would also ensure that the **private Venture Capital Markets** receive more incentives to also invest in startups/scaleups from **emerging sectors (that are risky)** – which will in this case fit within the **smart specialization strategy** (and thus receive higher support from public Venture Capital Markets).

Benefits & Conclusions of Public-Private Venture Capital Powerhouses

Government investors and development finance institutions can **PROVIDE PROOF OF FINANCIAL VIABILITY** for private-sector investors while targeting specific social and environmental goals.

- Private investors will invest in startups/scaleups that receive (or that can receive) public funds related to the growth strategy of the region where they operate it
=> Investment security (for “idealistic” business model)
- **Emerging sectors & impactful investment are being boosted** (through favorable public investment support that will attract private investment)
=> de-risking private investment in impactful startups/scaleups
- Private investors receive tax incentives for investing in the key development areas of a specific region
=> tax incentives

Benefits & Conclusions of Public-Private Venture Capital Powerhouses

- **Impactful investment through PPI will bring more ROI to all parties involved**
- **Public investment funds grow** (from taxes/revenues) by attracting more investment and by building the capacity of the region
- **RRI-based enterprises will grow in numbers** helping thus EU regions reach their social, inclusion & environmental impact goals

Public-private investor partnerships should aim to bring positive outcomes for people, communities and society as a whole, as well as providing financial returns for investors.

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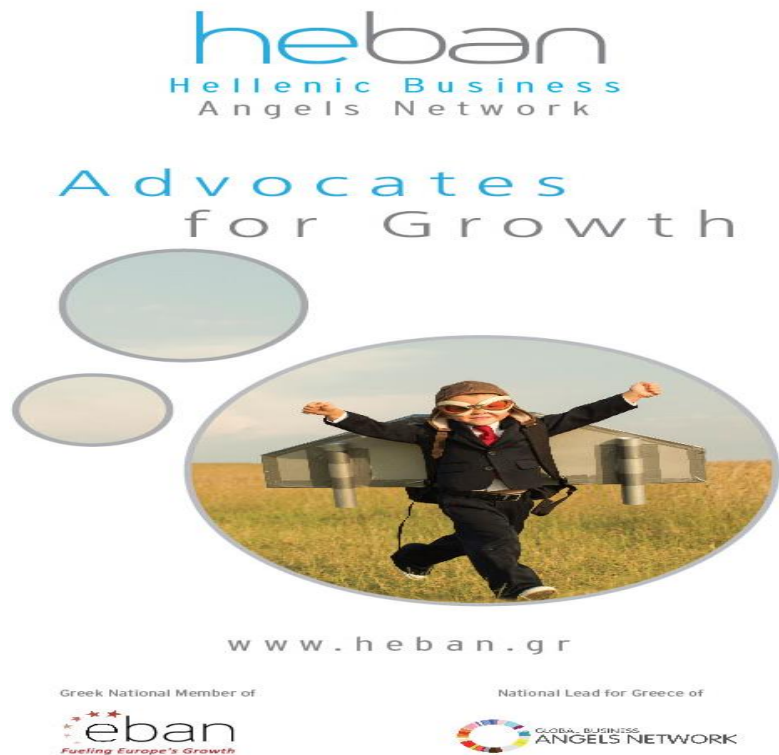
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