

The agenda for change - venture capital and investment funding Innovation Forum, 30 March 2010

EVCA, The Voice of European Private Equity Industry since 1983

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The role of venture capital within the EU 2020 strategy

- Innovation and green growth are at the core of the overall strategy
- Venture capital is an integral part of an overall innovation ecosystem:

- Examples for venture-backed innovative companies having reached >\$1bn value post exit



- Examples for venture-backed “green” companies having reached high value post exit or a successful IPO:



What is limiting the potential of European venture capital?

- Existing Community funding programmes, like the CIP and in particular the EIB's support through the EIF, have been critical in putting the European VC industry on the map
- However, policies must evolve to make the VC industry globally competitive and self-sustainable. There is a need to:
 - shift the focus of policies from rectifying market failures to assuring market success
 - ensure that there is sufficient capital available in all stages of financing – innovation happens in all companies, from less to more mature ones
- Current economic downturn suggests just scarcity of capital, but the main problems are structural and will not end with the crisis:
 - Accumulation of regulatory measures (e.g. Solvency II, Alternative Investment Fund Managers Directive) result in less capital made available by the private sector to fund innovation and to support companies in Europe
 - There are too few institutional investors in Europe that have the right profile to invest in venture capital

EVCA white paper's key messages

- Funding alone is insufficient, it is rather the knowhow that is critical – the private sector's involvement is necessary to bring in the knowhow
- To overcome the VC industry's structural problems intermediation between the VC market and the institutional investors needs to be strengthened
- EVCA put forward set of policy recommendations calling for
 - Improvements in the regulatory environment for venture capital in Europe
 - A multiannual programme for private sector asset managers to support funds-of-funds with a sizable commitment to European venture. This aims
 - to shift financial backing from the public to the private sector
 - to allow smaller institutional investors to remain engaged or become active on the asset class
 - to select the best European VC managers and network their potential to investors worldwide
- To realize venture capital's potential within its EU 2020 strategy, the EU's policies also needs to tackle the question of how to bring in / bring back the private sector to make Europe's VC industry competitive and self-sustainable

