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Initiatives to foster Venture Capital in the UK Regions

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REGIONAL VENTURE CAPITAL FUNDS

- Designed to address market failure in the provision of venture capital below £500,000.
- **National market failure**, but regional delivery to utilise local business networks.
- UK Government's investment subordinated to attract investors into this asset class including Local Authority Pension Funds



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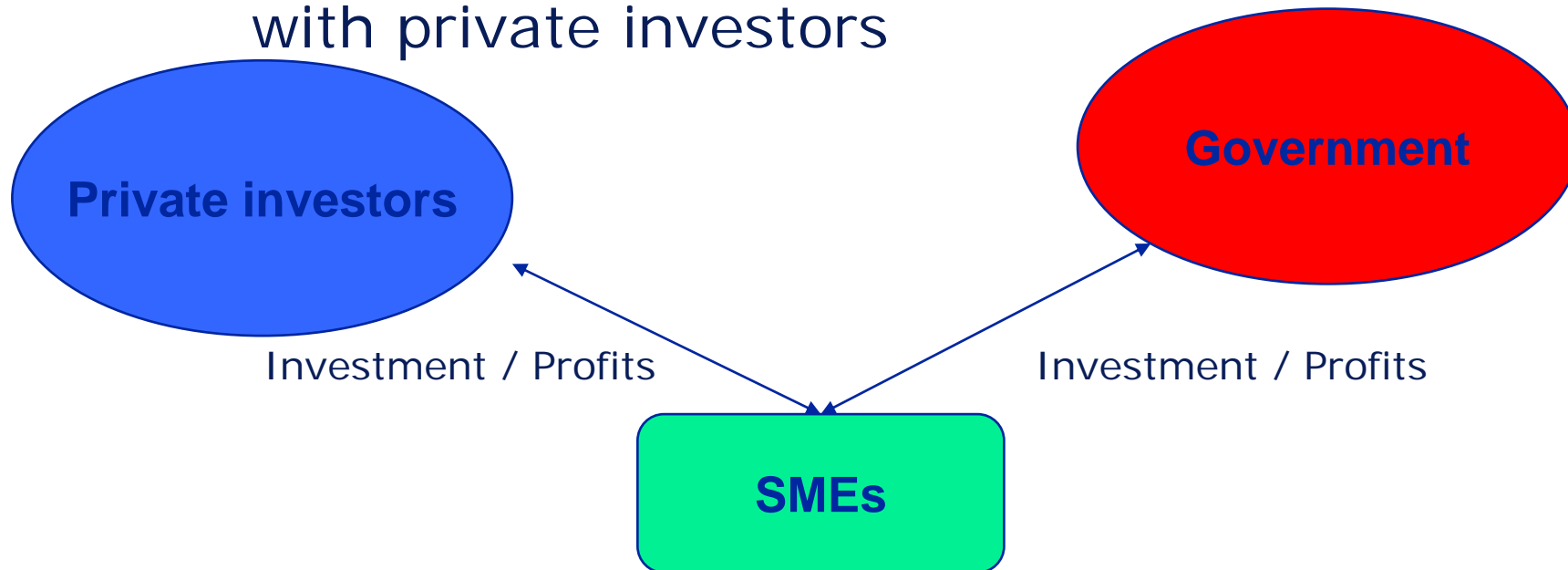
Bridges CDVF

- £40m Fund
- Investments linked to 25% 'Most disadvantaged' wards
- Commercial (first) and 'double bottom line' measures



Early Growth Funds

- Government invests alongside private investors / business angels
- Government investment on terms pari-passu with private investors





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Enterprise Capital Funds

Objectives

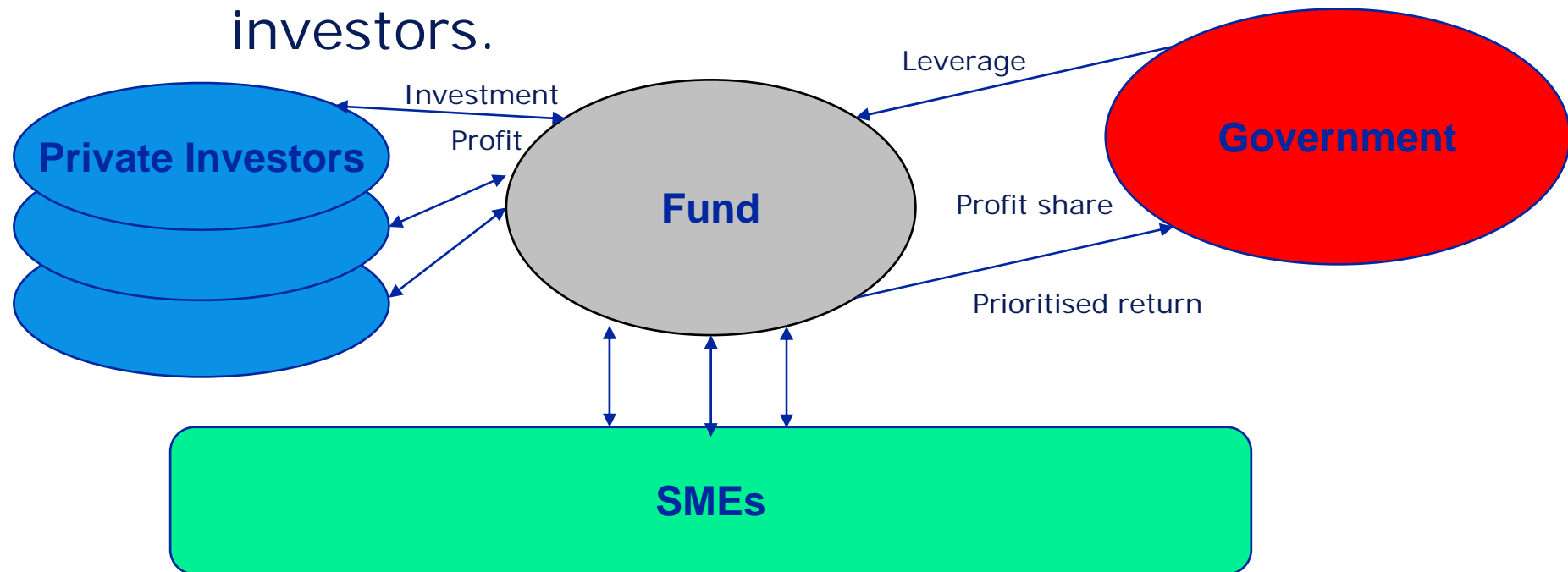
Increase the availability of growth capital to SMEs affected by the 'equity gap'. By:

- encouraging an increased flow of private capital into the equity gap; and
- Lowering the barriers to entry for entrepreneurial risk capital managers (by reducing the amount of private capital needed to establish a viable venture fund).

Enterprise Capital Funds

Based on US SBIC model but adapted for UK

- Government investment as a loan to fund
- No downside protection – instead addresses risk-return issue with enhanced return for investors.





National Market Failure

- Need for EU Competition authority approval for ECFs. Had to demonstrate an equity gap
- As with RVCF we argued that gap was national, based on market failure - investment structures. (DG Comp press notice suggests they believe it is EU wide)
- Funds do not have a specific regional objective



Pushing on a string?

- Deal flow is an issue with all regional funds
- European money, Government money – risk of competing for limited deal flow?
- Returns also an issue (?)
- What else should we do?
- Demand pull or supply push



Investment Readiness

- Recognition that supply side interventions don't address the whole of the weakness in the market
- Need for something on the demand side
- 7 Demonstration Projects
- Doesn't replace other, infrastructure and educational aspects.



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IR -Essential Elements

- Critical Evaluation of the Business
- Awareness of finance options
- Presentation skills
- Support, advice and mentoring
- Link business with potential investors



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Further Information

- SBS website: www.sbs.gov.uk/financegap
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