APEC VENTURE CAPITAL ACTION PLAN

Creating a Sustainable Private Sector Venture Capital Industry in APEC Economies

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BACKGROUND

APEC Framework for SMME Financing

- Angel Capital, Seed Funding Accelerators
- Venture Capital
- Bank Lending
- Trade Financing
- APFF – Asia Capital Markets
- Private Equity
- Government Support Policies
QUICK SUMMARY OF PAST DISCUSSIONS

• Venture Capital plays a valuable role in SMME Financing
• Most SMME’s do not qualify for bank of debt financing because they do not have sufficient operating history or collateral assets
• Most SMME’s fail. Banks cannot charge high enough interest rates on successful companies to offset losses from failed companies
• High interest rates could cause some potentially successful SMME’s to fail
• Equity financing needed
• Every successful venture capital ecosystem is private sector led but also had government support
• Almost all successful models have used a government supported Fund of Funds approach
PROPOSAL

• APEC government supported Fund of Funds to be established within APEC region to act as a catalyst in the development of a sustainable venture capital ecosystem

• Government moral suasion and incentives to encourage participation by Asia Development Bank, World Bank, global and regional banks, regional institutions and corporate players
RECOMMENDATIONS

1. Government support
2. Secure private sector participation
   e.g. Downside protection – losses on an 80/20 government/private sector split
   e.g. Upside leverage – private sector can buy out government at 6% interest rate
   e.g. $500 million from APEC governments for Fund of Funds to be leverage up by private sector participants
   e.g. 5 – 10 Fund of Funds in region selected through RFP process
3. Recommendations included in ABAC letter to Leaders
4. Recommendations included in ABAC letter to Finance Ministers
5. Recommendations included in ABAC letter to SME Ministers
6. Strike committee to meet with various governments and potential participants to raise funds. Will likely require staff funding.