

APEC VENTURE CAPITAL ACTION PLAN

**Creating a Sustainable Private Sector
Venture Capital Industry
in APEC Economies**

**V. PAUL LEE
ABAC CANADA
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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.**