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Sofia Avdeitchikova

Research Fellow, The Ratio Institute, Sweden



**REGIONAL IMPACT OF THE BUSINESS
ANGEL CO-INVESTMENT SCHEME –
A MARKET DEVELOPMENT APPROACH**

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Sofia Avdeitchikova – short bio

- PhD (2008) *The nature of business angel investing in a spatial context*
- Researcher, evaluator and advisor on entrepreneurship policy



The Swedish co-investment scheme

- €150 millions
- Active since 2009
- 11 funds in 8 regions
- Matching 50% on investment-by-investment basis
- Co-investors – business angels, angel syndicates, small early-stage VCs and corporate investors



Rationale of the study

- One of the key purposes of public involvement – developing **well-functioning, self-sustaining** markets for risk finance
- Should this be the focus of our evaluations?

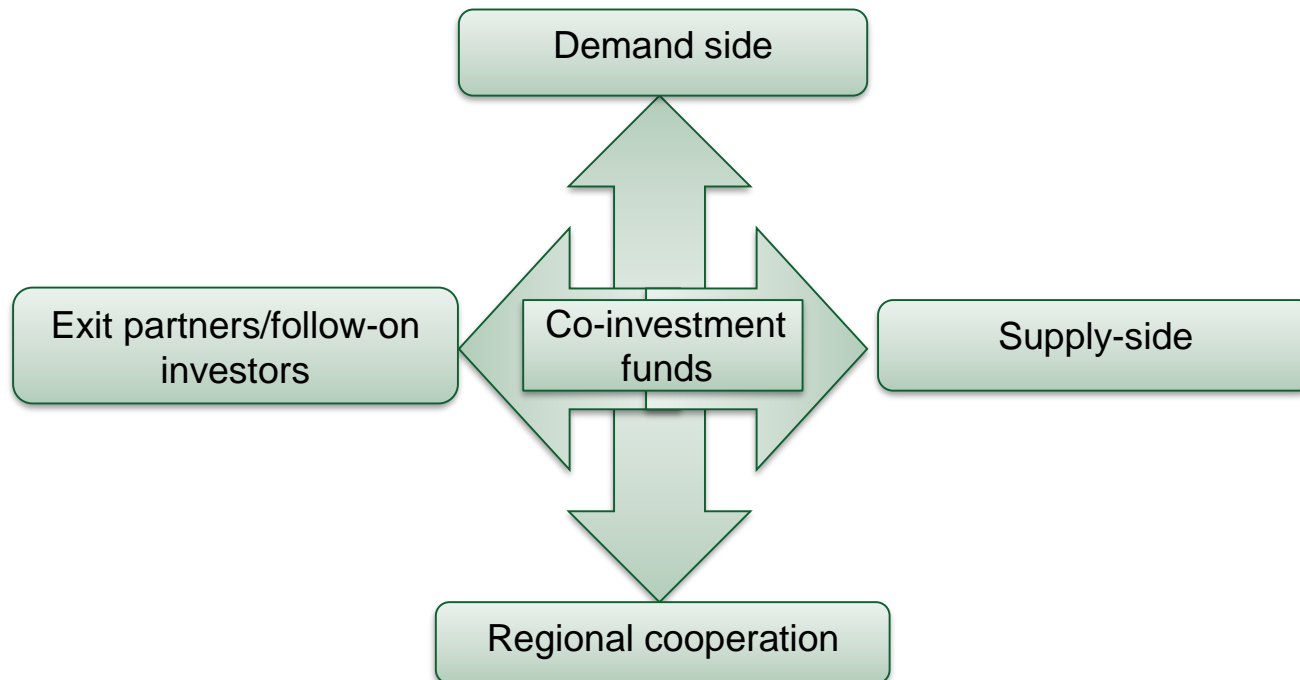


Purpose of the study

- To study how the Swedish regional co-investment scheme has affected regional structures for risk finance. This includes:
 - Assess the development of the risk finance structures in the regions 2009-2015
 - Describe the contribution of the regional co-investment funds this development
 - Identify hinders and enablers for this development



Definition – regional risk finance structures



Stages of evolutionary market development



Avnimelech and Schwartz (2009), modified

Data

- Secondary regional data (start-up rates, growth aspirations, access to finance, etc.)
- Survey data (portfolio firms, co-investors) on attitudes, knowledge development, value created
- Interview data with fund managers 2009 and 2015 (perception of the context)
- Focus groups with fund managers and key actors from the “risk finance structure” in all eight regions



Findings



Unclear policy logic of the Swedish co-investment scheme

- What is the purpose of the co-investment scheme?
- Different logics => different focus and expectations



Contribution of the funds towards regional risk finance structures

To firms	To investors	To regional actors	To exit routes
Competence about attracting and working with external equity finance	Dealflow	Knowledge about external equity finance	Attracting exit partners to the regions through networks and marketing
Better attitudes towards external equity finance	Due diligence expertise	Bridging the "gap" for regional firms	Working together with firms to find ways for early exits
Increased attractiveness to other financiers	Valuation expertise	Networking and learning dialogues	Building cooperations with regional industrial partners
	Help towards syndication		



The risk finance structure, initial state and development 2009-2015

Region	Initial state	Development
1. Stockholm	(Late) emergence	+
2. Västsverige	Emergence	++
3. Norra Mellansverige	(Early) emergence	++
4. Övre Norrland	(Early) emergence	+

Regions	Initial state	Development
5. Mellersta Norrland	Latent	++
6. Sydsverige	Emergence	Non-significant
7. Östra Mellansverige	Emergence	+
8. Småland och öarna	Latent	+++

Tentative conclusions

- Positive development of risk finance structures in a majority of the regions studied, driven by:
 - primarily exogeneous factors
 - to various degrees, by the operations of regional co-investment funds
- Enablers for positive development
 - Bottom-up regional dialogue and cooperation
 - Coherent regional innovation and growth strategies
- Hinders for positive development
 - Excessive reliance on public participation – not enough leverage!
 - Mismatch of the scope of "the challenge" and the resources available
 - Least effective in most "mature" regions?



Thank you!

- The full study will be available to download from www.tillvaxtanalys.se in March 2016
- Contact me at sofia.avdeitchikova@ratio.se



Backup



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Theory of change (fragment)

