



# Establishing Venture Capital Funding Platforms in Dominica and OECS

## The ECEF Experience

*Presented by*

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# Outline

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- Background and Rationale
- Evidence of Demand for Venture Capital Funding
- Size and Structure related to Capital Requirements
- Capacity of local entrepreneurs to engage Venture Capitalists
- Sources of Subscription into the VC Fund
- Operations and Management
- Way Forward





# Evidence of demand for Venture Capital Funding: ECEF

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- Development Financing Symposium and Strategic Visioning Retreat session (2006)
- ECCB and World Bank : OECS Finance Study
  - **(OECS Private Sector Financing: Bridging the Supply-Demand Gap. June 2008)**
    - Context
    - Supply side issues – Commercial Banks
    - Demand side issues - Individuals and Firms
    - Policy options
- CDB Financed Feasibility Study (IFCL Canada)





# Size and Structure :Capital Requirement

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- Sectors indicating demand for venture capital funding
  - Companies focused on exporting, manufacturers, agro processors, tourism related, trading companies
- Indicative levels of capital requirements
  - Ranges from thousands, hundred thousands and in some cases over I million dollars
- Goodness of fit of funding mechanism
  - Fixed sums repayments vs contract and balloon payments
- Role of microfinance, credit unions or other funding processes





# Size and Structure :Capital Requirement

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- To maximise national and regional impact
  - Authorised Share Capital - \$50 million
  - Initial Capitalisation - \$10 million
  - Private Placement to potential regional and international shareholders
  - Funding commitments from shareholders and other regional and international institutions - \$50 million
  - Funding for technical assistance and ecosystem development to be accessed from stakeholders with this particular interest. Target (\$3-5 million in the first instance)





# Capacity of local entrepreneurs to engage Venture Capitalists

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## ■ **Key success factors**

- Changes where necessary from family owned establishments – skepticism
- Openness to accept management help
- Human resources capacity – skills enhancement
- Productivity commensurate with \$\$ inputs
- Business sophistication – ease of doing business
- Corporate Governance – Best practices and standards compliance
- Costs of doing business – services required



# Sources of Subscription into the VC Fund

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- Commercial Banks
- Social Security Schemes
- Development and Financial Institutions –  
Regional and International
- Friendly Nations
- High net worth Individuals
- Government subventions





# Operations and Management

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- Business Model with clarity
  - Funding and Technical advice
  - Ecosystem development
  - Joint ventures
- Core competencies for Management and oversight
  - Qualified, proactive and flexible personalities
- Legal Entity : acceptable and operational in all of the ECCU
- MOUs with Institutions with Best Practices and International compliance







# The Way Forward

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- A collaborative and coordinated Approach
  - Feasibility study has been done – economies of scale is the issue for survivability
  - A Business Model and Approach is developed already
  - A board with support from the OECS Commission and ECCB members on the directorate already in place
  - The business plan can still be adjusted to integrate the whole region



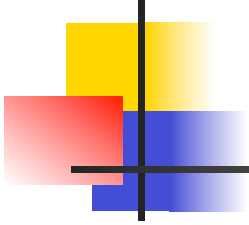


# The Way Forward

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- A collaborative and coordinated Approach
  - Over \$.7 million has been spent on incorporation, development of systems and diagnostics on the companies so far
  - Resources can be spent on maximising the service delivery within the context of the OECS Economic Union as per the vision of the Director General
  - This would be a first great step towards the realisation of the single financial and economic space as proposed in the revised Treaty of Basseterre.
  - Use the lessons learned to build a better funding source for the region's private sector transformation.





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THE END

