



SCHOOL OF LAW

UNIVERSITY of CALIFORNIA • IRVINE

Infrastructure to Promote Entrepreneurial Companies in Dominica/ OECS: International Best Practices

Professor Olufunmilayo B. Arewa

oarewa@law.uci.edu

Stakeholder Forum

Roseau, Dominica

August 6, 2014

Overview

- Varied related infrastructures needed to support ecosystem
 - Business
 - Innovation and entrepreneurship
 - Capital markets
 - Company development
 - Logistics and Technology Infrastructure



Challenges

- Can conceptualize each related infrastructure in terms of challenges that may exist at present that may hinder successful development of private equity ecosystem
- Important to avoid build it and they will come assumption
- Establishing fund itself not sufficient must focus on ecosystem



Challenges

- Understanding challenges requires attention to review and modification of a number of different legal and regulatory frameworks that impact entrepreneurial companies and innovation ecosystem



Business Climate

Issues of Potential Concern	Potential Ways to Address Concerns	Relevance to PE or VC Fund
Perception that difficult to do business	Streamline business laws and regulations	PE reliance of equity financing
	Make business registry available online	Lack of capacity may hinder company development
	Permit online business registration	Risk aversion may hinder risky investments
	Simplified, hybrid and more varied business entities	PE (especially VC) based on relationships of trust and reputational factors
Existing business financing primarily debt financing	Fund must coordinate with other efforts to broaden access to finance	
Limited access to financing		

Business Climate

Issues of Potential Concern	Potential Ways to Address Concerns	Relevance to PE or VC Fund
Business conservatism and risk aversion	Education and training for business people , judges, and policy officials	PE reliance of equity financing
Lack of business capacity	Encourage regional networks of business people and policy officials	Lack of capacity may hinder company development
Business mistrust	Encourage development of egal environment with fast resolution of business disputes	Risk aversion may hinder risky investments
		PE (especially VC) based on relationships of trust and reputational factors

Entrepreneurship and Innovation Climate

Issues of Potential Concern	Potential Ways to Address Concerns	Relevance to PE or VC Fund
Lack of IP infrastructure	Undertake review and modification of intellectual property laws and IP office practices	VC investments focus on companies with high levels of intangibles, including IP and knowledgeable employees
Limited attention to requirements of innovation economy		
Limited ability to search online for intellectual property	Make intellectual property database available online	Lack of IP infrastructure makes development of VC ecosystem more difficult
Limited business knowledge about intellectual property	Intellectual property training for businesses, creators, judges and public sector officials	VC ecosystem requires technical, business, and other types of capacity
Lack of pipeline companies for VC investments	Technology hub and incubator	
	Policies to target development of pipeline	

Entrepreneurship and Innovation Climate

Issues of Potential Concern	Potential Ways to Address Concerns	Relevance to PE or VC Fund
	Consider regional IP frameworks	
Anecdotal stories about thefts of ideas	Develop standard form documents for protection of IP, including trade secrets	
	Coordinate with existing initiatives relating to technical education and broadband infrastructure	
	Encourage regional networks of innovators, entrepreneurs, and policy officials	

Capital Markets Climate

Issues of Potential Concern	Potential Ways to Address Concerns	Relevance to PE or VC Fund
Lack of robust private and public equity markets	Review and modify existing legal frameworks for capital markets	PE investors must have way to exit usually through IPO or
Limited exit opportunities	Engage with local and regional capital markets initiatives	IPO exits require robust public company markets
Limited experience in equity investment transactions	Implement broad training	
Limited knowledge about capital markets in business community	Consider uses of crowd funding	
	Encourage regional networks	

Company Development Climate

Issues of Potential Concern	Potential Ways to Address Concerns	Relevance to PE or VC Fund
Difficult to scale enterprises	Review and modify existing legal frameworks	PE and VC investors need scalable companies
Lack of pipeline companies	Review and modify existing forms of business entity	Company development and growth key to spillover effects
Business conservatism and risk aversion	Training programs	
Cultural resistance to loss of control that may come with equity	Sample model legal forms for formalization	
Business mistrust	Models and documents to protect trade secrets	
High levels of informality	Encourage regional networks of business people and policy officials	

Logistics and Technology Infrastructure Climate

Issues of Potential Concern	Potential Ways to Address Concerns	Relevance to PE or VC Fund
Broadband infrastructure		PE and VC principals sensitive to time loss
Regional transportation infrastructure challenges	Consider avenues for remote business meetings	VC backed companies will require state of the art broadband and wifi access
Availability of Wifi in transportation hubs		