Toward A Venture Capital Policy Framework In The New Egypt

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Stages of the Research

I. Country Experiences (literature review)

II. VC Policy Framework

III. Fieldwork on Egypt

IV. Detailed and specific policy recommendations on each element of framework
Venture Capital

Definition

*Investments in early stage, innovative (mostly high tech) startups*

Excludes: buyouts, non high tech investments, later phase high tech investments, loans & other non-equity finance
Venture Capital

Sources of Funds

- Individual independent venture capitalists
- Corporate (both industrial and financial)
- Government or state funds
VC Policy Framework

Supply of VC

Demand for VC

[Graph showing supply and demand curves for VC]
 VC Policy Framework
Supply Side

**Incentives**

- Capital gains tax, dividends taxes
- Government insured VC funds

**Legal Issues**

- Capital market laws (regulating convertible preferred securities and other complex instruments)
- Legal framework for incorporation (procedures, LP, joint stock, holding)
- Regulations regarding foreign ownership
VC Policy Framework
Supply Side

Developed Institutions

- Exit mechanism – through financial and capital markets (IPO, buyout)
- EVCA – Egyptian Venture Capital Association

Sources of Capital

- Government financed fund of funds
- Access to private sources of capital
VC Policy Framework
Supply Side

**Human Capital**

- Experienced VCs
- Professional managers
VC Policy Framework
Demand Side

- R&D and innovation capabilities (Technology incubators, university technology transfer, IP protection, patent office reform)
- Pool of high potential start-ups (entrepreneurial ecosystem)
- Cultural mindset – risk taking and entrepreneurship; accepting control by VCs
- Bankruptcy law
VC: A National Priority For A New Egypt

- VC: root of the development of the semiconductor, biotech and internet industries in the U.S.
- VC is credited for creation, survival and growth of many young and promising start-ups
- VC backed companies create new jobs
- VC funds are spent mostly on R&D in start-up companies, and on marketing (in growth stage companies)
VCs not only offer investment capital to high risk new companies, but also

- Strategic advice
- Mentorship
- Networks
- Credibility

Invaluable!