AUSTRALIAN INVESTMENT COUNCIL

31 July 2020

The Hon George Christensen MP
Chair, Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
CANBERRA ACT 2600

Submitted online

Dear Mr Christensen,

Re: Submission Inquiry into diversifying Australia's trade and investment profile

The Australian Investment Council welcomes the opportunity to make a submission to the inquiry by the Joint Standing Committee on Trade and Investment Growth into diversifying Australia's trade and investment profile and the opportunity to appear at your recent public hearing.

Private capital investment has played a central role in the growth and expansion of thousands of Australian businesses and represents a multi-billion-dollar contribution to the Australian economy. Our members are the standard-bearers of professional investment and include: private equity (**PE**)**,** venture capital (**VC**) and private credit (**PC**) funds, alongside institutional investors such as superannuation and sovereign wealth funds, as well as leading financial, legal and operational advisers. Our members include both Australian domestic and offshore-based firms.

The building momentum of Australia's private capital industry growing to $33 billion in assets under management in 2019,[1] is testament to its ongoing viability in Australia. The industry's material contribution to the Australian economy, representing 2.6% of GDP and creating 1 in 9 new Australian jobs,[2] illustrates the important role it can play in helping drive our economic recovery and creating meaningful, high paid jobs for Australians.

Australia is a net importer of capital. As such, many Australian businesses rely on foreign investment to support their investment initiatives. Some of this capital is used to invest into innovative and fast-growth businesses, many where Australia has a natural competitive advantage in the global market. These businesses provide jobs for Australians and are likely to drive our nation's future growth industries. Where talent gaps exist domestically, these innovation focused companies are at times forced to rely on immigration to source the expertise required to grow their businesses.

The growth of new businesses and new industries will assist diversify Australia's trade and investment profile.

Despite strong growth, the private capital industry's ongoing ability to support Australian businesses cannot be taken for granted. While the industry has the necessary funding to back its current portfolio companies, its ability to fund new companies and support the diversity of Australia's trade and investment profile, now and over the coming years, is at risk. The reasons for this include:

1) History showing **investment into innovation and research falls after a crisis**, despite being a key economic driver;
2) Early **evidence of 'capital rationing' and some risk aversion** materialising, exacerbated by certain aspects of changes to Australia's foreign investment regime;
3) **Constraints on superannuation funds** due to falls in equity prices and early release of savings;
4) **COVID-19 restrictions** hampering the ability of fund managers to connect and businesses' ability to source global talent.

The Australian Investment Council supports policy initiatives and reforms that help ensure our economy is competitive – both domestically and internationally. In particular, we encourage initiatives that provide a diverse range of jobs and

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[1] Preqin and Australian Investment Council, Yearbook 2020
[2] Deloitte Access Economics (2018) *Private equity: growth and innovation*, April.

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drive Australia's future, high value-add industries – initiatives that will increase the diversity of our nation's trade and investment profile into the future.

We look forward to participating in any future discussion about the themes set out in this submission. If you have any questions about specific points made in our submission, please do not hesitate to contact me or Brendon Harper, the Australian Investment Council's Head of Policy and Research, on 02 8243 7000.

Yours sincerely,

Yasser El-Ansary

Chief Executive

Summary of Recommendations

Recommendation 1: *Establish a national co-investment program*
Introduce a new public and private sector co-investment fund to support Australian fast-growth businesses and entrepreneurs.

Recommendation 2: *Build on Australia's strengths*
Focus on developing industries where Australia has a competitive advantage

Recommendation 3: *Align manufacturing with industries where Australia can excel*
Enhance Australia's manufacturing capability and align it with science and research development.

Recommendation 4: *Assess the impact of changes to Foreign Investment on the flow of capital*
Ensure changes to Australia's Foreign Investment Framework do not adversely impact the flow of investment capital into Australian businesses.

Recommendation 5: *Strengthen trading ties*
Strengthen trading ties regionally and globally, through bilateral and multilateral agreements and policy settings that seek to encourage trade and investment.

Recommendation 6: *Streamline and accelerate commercialisation*
Introduce changes to streamline the process and effectiveness of the Accelerating Commercialisation Program and improve the scope and funding pipeline for EMDGs.

Recommendation 7: *Expand Austrade's role*
Empower Austrade to provide play an even wider role in assisting Australian businesses.

Recommendation 8: *Rethink Research & Development*
Pause the R&D Bill and develop a regime that is more supportive of early stage businesses, particularly in priority industries.

Recommendation 9: *Bridge the skills and talent gap*
Boost the offshore marketing of the national Global Talent Scheme to encourage some of the world's best and brightest skilled talent to move to Australia and, at the same time, encourage skilled Australians with valuable offshore experience in leading technology and innovation ecosystems to return home.

Recommendation 10: *Make long-term patient capital investment a policy priority*
Consider the role of superannuation funds in supporting patient capital in Australia.

Facilitate equity co-investment into Australian Businesses

Australian jobs and industries rely on a steady flow of foreign capital to support investment into growing businesses across all sectors of the economy. Australia's demand for capital continues to be greater than the domestic supply. As a result, Australia is a net importer of capital. Private capital firms are an important vehicle for attracting (domestic and) foreign capital into Australia and into Australian business. While China is Australia's major trading partner, the largest direct investment into Australia is from Europe (36.8%), followed by the United States (25.6%).[3]

One of the key challenges confronting ongoing investment into high-growth innovative businesses is the uncertainty which exists in relation to the future investment funding pipeline flowing from institutional investors such as superannuation funds and offshore institutional investors. It is clear that COVID-19 has already begun to have an impact on the outlook for new investment capital flowing into venture from domestic and international sources. The anticipated contraction in the availability of that institutional investment will directly lead to a significant slow-down in the potential for private capital, particularly VC, to support early-stage high-potential businesses across many sectors of the economy including technology, life sciences, agri-tech, and many others.

Some of the key considerations relevant to new government policy in this area include:

1) History showing **investment into innovation and research falls after a crisis**, despite being a key economic driver;

Following the global financial crisis, global capital flows to Australia's private capital industry materially reduced. This aligns with research by the OECD that concluded, "[following a crisis] firms face difficulties in tapping into external sources of funding to support their investments in R&D" and that R&D investment is "re-oriented towards short-term, low-risk innovations, while longer term, high risk innovation projects are… cut first".[4] This affect is compounded by innovation becoming increasingly concentrated in a smaller pool of firms in a crisis.[5]

2) Early **evidence of 'capital rationing' and risk aversion** materialising, exacerbated by certain aspects of changes to Australia's foreign investment regime;

The COIVD-19 pandemic and global downturn has already led to global capital markets and institutional investors becoming increasingly risk adverse and a heightened premium being placed on liquid investments. Current evidence in the local market points to credit being rationed. Uncertainty regarding changes to Australia's foreign investment regime have exacerbated this challenge.

3) **Constraints on superannuation funds** due to falls in equity prices and early release of savings;

Due to falls in equity prices – particularly in listed markets – superannuation funds are now looking to 'rebalance' their portfolios with the likely outcome being a reduction in exposure to illiquid assets (such as VC and PE). This is expected to lead to superannuation funds retaining current allocations to existing managers, but not look to expand or grow their allocations into strategies such as VC and PE. This strategic realignment will result in significant constraints on the capacity of fund managers looking to raise new capital to invest into high-growth potential Australian early stage businesses.

When viewed in the context of liquidity constraints on the part of superannuation funds, largely arising from the new and temporary early release of retirement savings policy, considerable pressure has been placed on their allocations to private capital strategies which are typically longer-term and less liquid holdings. Further pressure arises from the push towards consolidation within the superannuation industry which drives (increasingly larger) funds to only

[3] Department of Foreign Affairs and Trade Foreign Investment Statistics, 2019
[4] Guellec, D. and S. Wunsch-Vincent (2009), *Policy Responses to the Economic Crisis: Investing in Innovation for Long-Term Growth*, *OECD Digital Economy Papers*, No. 159, OECD
[5] Archibugi, D., Filippetti, A., and Frenz, M. (2012) *Economic crisis and innovation: is destruction prevailing over accumulation?*, CIMR Research Working Paper Series, Working Paper No. 6, April

consider larger investments allocations, typically resulting in a lessening of capacity for that capital to be invested into domestic private capital, particularly VC, funds.

4) **COVID-19 restrictions** hampering the ability of fund managers to connect and businesses' ability to source global talent.

Due to COVID-19 restrictions, fund managers have not been able to interact with (potential) investee businesses and institutional investors as they have previously. This has led to increased due diligence times and challenges in establishing new relationships. This challenge is particularly acute for new funds or fund managers wanting to establish new funds and access the capital pool of our superannuation funds.

Businesses looking to expand and grow have also been hampered by COVID-19 related immigration restrictions making it harder to bring the world's best talent into Australia and into Australian businesses.

Proven initiative for government to assist Australia's innovation ecosystem

A meaningful and proven way that the government can work with the private sector to boost investment for Australian entrepreneurs and Australian businesses over the medium-term is to utilise co-investment funding programs. The timing is appropriate now to consider establishing a new co-investment fund that can support expansion of the funding pipeline for Australia's innovation ecosystem.

This program could be modelled on established structures using qualified fund managers. For example, the Biomedical Translation Fund is a recognised program structure that is well recognised within government as a leading private and public sector collaborative model and could form the basis for a new national co-investment fund. There are alterative models for such programs which could assess the merits of a structure that is based on a 'fund-of-funds' type approach, versus direct investment into underlying investee businesses. As an industry, we are open to canvassing the relative merits of each approach, which takes account of the priorities of the government in this area of policy.

Governments co-investing to support early stage and high growth businesses is a well-tested policy response. Co-investment programs are heavily used in the UK, USA, Canada, New Zealand, Germany, France and many other countries across the globe. Domestically, various co-investment programs exist at the state level, complemented by targeted national programs. Examples of domestic and offshore co-investment programs are provided in Appendix A.[6]

Recommendation 1: *Establish a national co-investment program*
Introduce a new public and private sector co-investment fund to support Australian fast-growth businesses and entrepreneurs.

The objectives of a new co-investment program would be to support the functioning of the Australian private capital investment market through the current dislocation and uncertainty arising from the COVID-19 pandemic.

This would allow funds to continue to provide funding and support to highly innovative Australian businesses and entrepreneurs in the early-stage and start-up phases.

[6] The co-investment program would be distinctively different to the government's previously announced Australian Business Growth Fund (ABGF) initiative, which is currently before the Senate. The genesis of the policy drivers for the ABGF was to respond to a defined market failure in respect of established small and medium-sized businesses having access to debt financing, and the need to often provide the family home as collateral. This was articulated in the fund's explanatory memorandum, where business owners "found it difficult to borrow more than around $100,000 on an unsecured basis to support their day-to-day trading activities. In addition, medium-sized businesses reported that it was hard to obtain additional finance once they have pledged all of their real estate as collateral."[6] The focus of the ABGF, once formally established, is to support minority investments into established SME market businesses, which is a distinctly different segment of the business sector than that which would typically attract VC investment. VC investment is typically directed towards early-stage businesses that have significant elements of innovation and novel product/service development, who have the opportunity to exponentially grow and expand their business through a domestic and international scaling-up strategy.

While the private capital industry has the funds required to ensure its short-term viability, the COVID-19 pandemic has created uncertainty in respect of access to funds over the medium-term. Without government support, we risk losing a generation of highly innovative Australian businesses to other markets.

Make Australia more competitive

Australia has an opportunity to emerge from the COVID-19 pandemic as a more competitive nation in the global marketplace. The key elements to our success will be prioritising industries where we already are – or could be – world leaders, and 'going narrow and deep' in developing these industries.

In a recent address[7] to the National Press Club, the Industry, Science and Technology Minister, the Hon Karen Andrews MP, highlighted the need to align manufacturing with science and research efforts in areas where Australia is best placed to excel, such as: biomedical technology and therapeutics, as well as FinTech, to support the commercialisation of good ideas, and to improve access to export markets. This points to building a strong foundation to enhance our domestic capability. This will help build a domestic manufacturing industry that will sustain the economy and make Australia internationally competitive.

Recommendation 2: *Build on Australia's strengths*
Focus on developing industries where Australia has a competitive advantage

Recommendation 3: *Align manufacturing with industries where Australia can excel*
Enhance Australia's manufacturing capability and align it with science and research developments.

Foreign Investment Framework

The private capital industry has for many years been an advocate for a strong and dynamic foreign investment policy regime that carefully balances the need for appropriate protections to the national interest, and concurrently maintains the confidence and support of offshore investors who are vital for providing much capital to support the growth of Australian businesses and jobs across every sector of our national economy.

The Council recognises the importance of recent policy changes to implement stricter controls within the foreign investment framework during the evolving and fluid circumstances arising from COVID-19. The Australian Investment Council is broadly supportive of the changes, and is pleased that they are temporary in nature.

It is imperative, however, to ensure that the more expansive regime continues to support the flow of investment capital into Australian businesses, especially during this period of high volatility and uncertainty. Australia's private capital industry is entirely focussed on maintaining and supporting the viability of the businesses into which it invests and protecting as many Australian jobs as possible during this ongoing period of instability for our community and the economy.

There are early signs that the temporary changes to the Foreign Investment Framework, and the ongoing uncertainty, have reduced the flow of inbound capital, destined to support Australian businesses – from early stage innovative start-up businesses right through to larger businesses and corporate groups. Draft legislation regarding permanent changes to Australia's Foreign Investment Framework is expected to be released imminently. For the ongoing survival of Australia's businesses and the ability of high-growth businesses to contribute to enhance the diversity of Australia's trade, that any changes are pragmatic and cognisant of their broader implications.

[7] National Press Club Address May 2020, Karen Andrews, Minister for Industry, Science and Technology.

Recommendation 4: *Assess the impact of changes to Foreign Investment on the flow of capital*
Ensure changes to Australia's Foreign Investment Framework do not adversely impact the flow of investment capital into Australian businesses.

Encourage firms to export

International trade has arguably for centuries been a significant and important driver of Australia's economic development. The Australian Investment Council supports the government's announcement in the 2019-20 Federal Budget to provide $60 million over three years from 2019-20 to support Australian businesses exporting goods and services to overseas markets. This positive initiative can be consolidated by implementing other supportive policies, such as those below.

International trade relations

Building closer trading ties regionally and globally through finalising Free Trade Agreements and implementing policy settings that seek to encourage trade and investment can help bolster and diversify Australia's trade relations.

Recommendation 5: *Strengthen trading ties*
Strengthen trading ties regionally and globally, through bilateral and multilateral agreements and policy settings that seek to encourage trade and investment.

Accelerating Commercialisation and Export Market Development Grants

The Accelerating Commercialisation (AC) program has the potential to play a significant role in driving fast-growth early-stage businesses to expand and deliver world-leading products and services domestically and internationally. The current practice in relation to the administration of the AC program is that VC-backed businesses find it difficult to access additional funding through this initiative based on the 'matching capital' principle. The AC program rules were designed in a way to allow venture capital-backed business access. Guidance from government would assist the administrators of the AC program to make clear that VC-backed early-stage businesses should be granted access to the program where they meet the program's requirements.

The Council recommends the government significantly enhances Australia's Export Market Development Grant (EMDG) program, beyond the commitment announced on 1 April 2020[8], to enable SME market businesses to accelerate growth through the sale of high-value goods and services offshore.

Recommendation 6: *Streamline and accelerate commercialisation*
Introduce changes to streamline the process and effectiveness of the Accelerating Commercialisation Program and improve the scope and funding pipeline for EMDGs.

Austrade

Government-funded agencies like Austrade provide valuable assistance to Australian businesses. In today's competitive globalised market place, and on the back of COVID-19, it is increasingly important that Austrade be provided with sufficient funding to enable it to play an even wider role in supporting Australian business across all sectors of the economy.

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[8] Hon Simon Birmingham MP (2020) *Funding boost to support Australian exporters and tourism businesses*, 1 April

Recommendation 7: *Expand Austrade's role*
Empower Austrade to provide an even wider role in assisting Australian businesses.

Rethink Research & Development

Tomorrow's successful Australian companies are today's start-ups and early stage businesses. These companies are often innovative, nimble and forward looking. Some of today's largest companies have grown through private capital support. These include local success stories, such as Afterpay, Airwallex, Atlassian, Canva and Vaxxas, along with international successes, such as Alibaba, Apple, Facebook, Google, Netflix, Spotify and Twitter. Many of these new innovative, exporting Australian businesses have developed in sectors where Australia has not traditionally been a strong exporter. As such, they are helping diversify Australia's trade profile.

The COVID-19 pandemic has hit early stage and high-growth companies particularly hard. This includes companies who were on a growth trajectory and were relying on quickly building momentum to become financially sustainable. COVID-19 restrictions have inhibited many of these companies' ability to develop products (including not being able to conduct clinical trials) and to take products to market. These challenges have been coupled with not being able to utilise some of the government's key assistance programs, such as JobKeeper.

The road ahead for this sector remains challenging. The path out of COVID-19 is unclear and, importantly, recent history has demonstrated that investment in innovation and R&D typically falls after a major economic crisis.[9] Already there is evidence of capital markets becoming risk averse and investment into alternative assets waning. Without government support, Australia risks losing a generation of new companies, and the economic and employment benefits that come with the scaling-up of these new businesses.

Pause the introduction of changes to the current R&D tax incentive

The R&D program is a critically important policy support mechanism which drives large parts of Australia's innovation ecosystem. The proposed reforms to the R&D incentive, to introduce annual caps under the refundable component of the program, will create restrictions on investment into job-creating innovation at a time when the Australian economy requires it the most. Given the significant change in Australia's economic situation at this time – as compared to 2018 when the changes were first drafted –the government should pause any implementation of changes in this area of policy immediately. The uncertainty which currently exists in relation to this regime is having the effect of impeding much-needed investment momentum by companies at the front-line of research and development of new products and services.

Furthermore, there are aspects of Australia's R&D program that are considered to be problematic at this point, such as the definitional issues which impact on access to the program in respect of certain forms of software development. Any support that the government can provide to the Australian Taxation Office to assist in providing clarity in respect of the policy objectives of the current regime would be helpful for all technology businesses seeking to scale here in Australia.

Recommendation 8: *Rethink Research & Development*
Pause the R&D Bill and develop a regime that is more supportive of early stage businesses, particularly in priority industries.

[9] Archibugi, D., Filippetti, A., and Frenz, M, (2012) *Economic crisis and innovation: is destruction prevailing over accumulation?*, Centre for Innovation Management Research, April and OECD (2012) *Science, Technology and Industry Outlook 2012, Chapter 1: Innovation in the crisis and beyond*

Boost promotion of Global Talent Scheme and encourage skilled Australians to come home

To be internationally competitive, Australian businesses need access to the world's best talent. The government's recent announcement in relation to tertiary education reforms is a positive step towards generating the skills required in the future. However, there are talent gaps in Australia, particularly in C-suite roles and where technical and/or specialist experience is required - for example, senior engineers, senior medical researchers and product managers.

Skills and talent are the lifeblood of growing innovative businesses. Where local companies cannot access the necessary talent, they can be forced to relocate overseas, taking with them jobs and revenue.

Australia has a golden opportunity to be a destination of choice for high calibre talent through its attractive lifestyle, stable political system and future growth opportunities.

While Australia builds its local talent base, it has an opportunity to attract the world's best talent. This is particularly true with a number of developed countries implementing restrictive migration regimes and continuing to struggle to contain the COVID-19 pandemic. Additionally, the current environment may be conducive to attracting the Australian diaspora, who have developed specialist skills overseas, to return home.

Recommendation 9: *Bridge the skills and talent gap*
Boost the offshore marketing of the national Global Talent Scheme to encourage some of the world's best and brightest skilled talent to move to Australia and, at the same time, encourage skilled Australians with valuable offshore experience in leading technology and innovation ecosystems to return home.

Retain Ownership in Australia

Over the years, retaining ownership of Australian innovations and entrepreneurship has been a challenge as many fast-growing businesses have been forced to relocate offshore or to sell their technology to other markets. A lack of institutional-level funding has sometimes been the reason for that loss of jobs and intellectual property. The potential for private capital to drive productivity is evident in the decisions that other jurisdictions have taken in recent years to encourage the growth in this form of investment.

The Federal Government has outlined that it will undertake renewed regulatory reform to strengthen investment, and work with the business sector to identify barriers, blockages and bottlenecks to investment. Structural reforms are an especially important element to help revitalise the economy given the limited scope for fiscal stimulus. There are several areas of policy where targeted reforms could potentially unlock billions of dollars of private capital annually for investment into Australian businesses.

With the Retirement Income Review pending, it is timely for policy-makers to consider the role that long-term patient capital investment can play in supporting our future economy. As Australia's $2.9 trillion superannuation industry has the potential to play a critical role in this area.

Recommendation 10: *Make long-term patient capital investment a policy priority*

Consider the role of superannuation funds in supporting patient capital in Australia.

ATTACHMENT A

Domestic and offshore examples of co-investment programs

Biomedical Translation Fund (BTF)

Launched in 2016, the BTF provides companies with matched funding through private sector venture capital fund managers. The program is specifically targeted at biomedical discoveries to commercialise health and medical research outcomes.

The BTF Program policy objectives are to:

- invest in promising biomedical discoveries and assist in their commercialisation; and
- encourage the development of companies commercialising biomedical discoveries by addressing capital and management constraints[10]

The Federal Government committed $250 million to the BTF alongside $251.25 million from private sector. The BTF was designed to have no fiscal impact on the budget, as it is an investment vehicle where the Government can obtain a return on the funds invested.

Queensland Business Development Fund (QBDF)

The Queensland Government-backed BDF is run by the Queensland Investment Corporation and is "focussed on the growth of innovative Queensland businesses, particularly in the emerging industries of tomorrow. It is aimed at creating high value, knowledge-based and skilled jobs now and into the future."[11] Applicants must be Queensland-based and require a co-investor to access the $80 million fund. If successful, they are provided with between $125,000 and $2.5 million in funding. The QBDF allows private investors to buyout the government at a future date.

Victorian Business Growth Fund (VBGF)

In June 2020, the Victorian government launched the VBGF.[12] The $250 million fund, includes a direct $50 million investment from the Victorian government.[13] The VBGF "will operate for 10 years and will help to address barriers faced by successful small and medium enterprises (SMEs) that are ready to grow their business but can't access the funds or find the right partner they need to take the next step."[14] Applicants must have between $5 million and $100 million in annual revenue and no more than $250 million in assets.

Victorian Clean Technology Fund (VCTF)

The VCTF is a Victorian government venture capital fund, established in 2003, "which invests in and assists the commercialisation of novel clean technologies… It generally invests at the pre-seed and seed funding phases where traditional venture capital sources are not readily available."[15] The VCTF generally co-invests and typically invests less than $1 million.

South Australia Venture Capital Fund (SAVCF)

The South Australian government's SAVCF is a $50 million co-investment fund which aims "to help build dynamic and innovative early-stage companies to accelerate their growth to a national and global scale."[16] The SAVCF provides initial investment in high growth and export potential companies that have at least demonstrated a

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[10] Biomedical Translation Fund

[11] Business Development Fund

[12] Victorian Business Growth Fund

[13] Business Victoria (2019) *$250 million Victorian Business Growth Fund Established*, June

[14] Victorian Business Growth Fund

[15] Victorian Clean Tech Fund

[16] South Australian Venture Capital Fund

market for their product or service and have either commenced generating revenue, or can demonstrate customer validation and evidence a route to revenue generation. Alternative criteria are provided for life science and biotech companies.

Innovation Investment Fund (IFF)

The IIF was established by the Federal Government in 1997 with the objectives of:

- Addressing capital and management constraints to encourage the development of new-technology companies which are commercialising research and development;
- Developing a self-sustaining Australian early-stage, technology-based venture capital market;
- Establishing, in the medium term, a "revolving" or self-funding scheme; and
- Developing fund managers with experience in the early stage venture capital industry.

The program raised over $640 million and awarded licenses to VC fund managers who, as part of the licensing process, were required to raise capital from private sources to match the capital provided by the Government. The IIF was designed to have no fiscal impact on the budget, as it is an investment vehicle where the Government can obtain a return on the funds invested.

New Zealand Venture Investment Fund (NZVIF)

In March 2020, the New Zealand government announced a $300 million co-investment fund – building on the earlier, 2002, NZVIF – which “invests into venture capital funds and partners with angel investor groups to drive investment into young New Zealand companies with high growth potential. The NZVIF was established to help build a vibrant venture capital market in New Zealand.”[17]

Canadian Venture Capital Catalyst Initiatives (VCCI)

The Canadian government established the VCCI to build on the success of its previous CAD390 million fund of funds and direct investment Venture Capital Action Plan. Through three streams, the VCCI has injected CAD1.7 billion into the Canadian venture capital ecosystem[18]. The first stream of the VCCI, announced in 2018, provides fund of funds investments. The second steam focuses on underrepresented groups, such as women and emerging regions. The third stream invests in clean energy.

The UK Experience

Following a ‘Patient Capital Review’ in November 2016, the UK government initiated a series of programs to support high-growth companies, including various co-investment programs. These aimed to unlock £20 billion of patient capital investment into innovative firms over ten years. The initiatives included:

- increasing total direct R&D spending to £12.3 billion per annum by 2021-22;
- establishing a new £2.5 billion Investment Fund incubated in the British Business Bank;
- investing in a series of private sector fund of funds, starting with an initial commitment of £500 million; and
- backing new and emerging fund managers through the Enterprise Capital Fund program, unlocking at least £1.5 billion of new investment.

More recently, in response to the COVID-19 pandemic, the UK government announced an additional program, the £500 million co-investment ‘Future Fund’. An additional £750 million was made available specifically for R&D

[17] New Zealand Venture Investment Fund

[18] Canadian Venture Capital Catalyst Initiatives

focused small businesses in the form of grants and loans. Similar schemes were implemented in mainland Europe, with France announcing a €4 billion package alongside Germany's €2 billion package.[19]

In an ideal scenario, the Commonwealth's response to support the industry would include a range of measures, as seen by the UK response.

[19] Financial Times (2020) *Government launches £1.25bn plan to help struggling UK start-ups*, 20 April