

## International Policy Experiences Promoting Equity Investments

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Sustained economic development depends on sufficient flows of debt and equity capital, but currently, equity financing is highly concentrated among larger, more mature businesses. As a result, small businesses and young firms, which historically have been the primary sources of job creation, struggle to access capital. Although several public policies and programs exist to encourage the provision of more debt capital, few do the same for equity.

### Policy Innovation

A handful of programs abroad can offer lessons for US policymakers to improve the supply of and access to equity investments:

- Germany's INVEST program offers grants to angel investors and certifies young and innovative companies.
- Sweden's Regional Co-Investment Funds encourage a more equitable geographic distribution of venture capital by creating regionally based investment funds from public and private sources.
- Canada's Women in Technology Venture Fund and Black Innovation Fund use some public funds to target groups historically underrepresented among entrepreneurs receiving venture capital.

### Key Takeaways for US Policymakers

1. Provide **funding to cover start-up costs for emerging fund managers**, especially those representing places and groups that have historically lacked access to equity capital.
2. Adapt certification requirements and financial support to **help community development financial institutions** play a greater role in the venture capital and angel investor market.
3. Link financial support with **technical assistance for new and expanding fund managers** that improves their ability to access and deploy equity capital.
4. Bolster locally delivered **technical assistance for businesses** to grow their abilities to understand and make use of equity capital. Develop networks and facilitate venues where potential investors and investees meet and discuss deal opportunities that could **help business owners access new streams of capital**.
5. Angel investors and venture capitalists may not provide the type of equity all businesses need, so consider offering **family-and-friends-style grants to help small firms** in underserved areas.

### Bottom Line

As promising as these examples are, their exact replication in the US may not be feasible. Policymakers will need to consider what features make sense given the unique challenges of the supply and demand sides of equity capital. Policymakers can support the equity needs of small businesses by pairing subsidies on the supply side with initiatives that help businesses access investment, connecting them with investors, and providing technical assistance that improves their equity-investment readiness.

*This fact sheet draws from the Urban Institute brief "Promoting Equity Investments for an Equitable Recovery: International Lessons for the US," available at <https://www.urban.org/research/publication/promoting-equity-investments-equitable-recovery>.*