



Memorandum 2024

Sustainable prosperity: Financing businesses as an anchor for innovation, employment, and productivity growth

- Venture capital (VC) and private equity (PE) promote **innovation, job creation, economic and productivity growth** by supporting promising Belgian companies.
 - These forms of financing are crucial to boosting prosperity and ensuring **regional economic security**, especially in times of geopolitical uncertainty.
 - The smart use of venture capital and private equity strengthens the local talent pool, encourages innovative ideas, and **prevents a brain drain**.
 - Through their investment choice, VC and PE play a **social role** and anchor themselves in the **Belgian financial fabric**.
 - Venture capital and private equity directly contribute **0.5% (€30 billion)** of Belgium's GDP.
 - A total of **236,960** employees work in venture capital-backed Belgian companies, representing 6% of the Belgian workforce.
 - According to recent figures, 1,165 companies have been backed by venture capital, including **886 SMEs** with **34,846** employees.
 - There are **+6.1%** net jobs created by venture capital and private equity-backed Belgian companies in 2021 compared to 2020, compared to +1.6% growth in general Belgian business.
 - Since 2007, a total of **25.7 billion euros** has been invested in Belgian companies through these forms of financing¹, leading to success stories such as Collibra, Odoo, and Materialise.
 - Funding by BVA members is a **crucial link within the innovation ecosystem in Belgium**. IMEC and argenx are concrete examples of Belgium's innovative leadership. It is essential to maintain this leading position and expand it into the future.
 - In partnership, public and private investment can make a difference as at the **EU Biotech Campus** in Charleroi.
 - In the context of innovation, productivity growth, start-ups, and SMEs, BVA strives to be considered as a **conversation partner with policymakers at all levels**.
 - To continue making the necessary sustainable investments with a 10-15-year horizon, a **long-term and competitive fiscal framework is crucial**.
 - In this way, sustainable wealth creation can be continued based on the following **five pillars**: innovation, job creation, local network & domestic investment, prosperity & economic security, and human capital.
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¹ EDC/IMF/Eurostat

1. What is venture capital (VC) and private equity (PE)?

Both venture capital and private equity indicate investing in relatively new companies. The purpose of these investments is to develop and build talented companies. Investors **provide capital during risky business phases. In this way, they increase productivity and encourage the development of innovative ideas.** Investments are made both in the very early start-up phase when new ideas are brought to market, and in a company's later growth phase. **Productivity growth is crucial to our society.** The Study Group on Aging of the Belgian Population made projections about the growth our country needs. **The growth that our economy needs to pay the pension bills will have to come 10% from additional jobs, but 90% through an increase in productivity².**

Venture capital is financing given to entrepreneurs with **start-ups and small businesses** that have the **potential** to break through (internationally) and generate **strong growth** with all the positive effects on the economy as a result. Growth is often fuelled by **innovation** or the creation of a **new niche** in the relevant sector. For these (relatively) new companies, venture capital financing is **necessary** to attract capital. Often these new companies do not have access to capital markets, bank loans or other debt instruments.

Private equity essentially represents an interest in shares of a company that is **not publicly traded**. Entrepreneurs and companies use private equity as a **source of investment capital**. Entrepreneurs who sell a business and are left with cash can reinvest it in other promising entrepreneurs and businesses that way. Consider the many family offices in Belgium where entrepreneurial families provide domestic investment.

Both venture capital and private equity mobilise capital and savings to contribute directly to a thriving entrepreneurial environment and innovative companies. These entrepreneurs and companies are ultimately responsible for our country's **prosperity** through **job creation, innovation, and productivity growth**.

2. Future challenges

Our largest trading partner, the United States, has transformed itself into a **global investment magnet** with the Inflation Reduction Act (IRA). European Internal Market Commissioner Thierry Breton calls the IRA a "game-changer" and urges member states to adopt a "Made in Europe" policy. This illustrates the extent to which international competition has intensified.

Our neighbouring countries are also going in the same direction. Recently, the European Commission relaxed state aid rules in response to the IRA, and countries such as **France and Germany have provided significant state aid to major investment projects**. These countries have deployed remarkable financial resources to attract foreign investors. France, for example, managed to bring in a new ArcelorMittal steel plant with €850 million in subsidies. And Germany surprised with a grant of a whopping €10 billion to U.S. chip manufacturer Intel.

² <https://etion.be/kennis/gert-peersman-productiviteit>

Activating the capital present in this country is crucial to maintaining our prosperity. A strategic approach is essential as we now compete with emerging regions for wealth and investment. Countries such as China, the Middle East, India and even Africa are challenging Europe for investment. We can no longer assume that investment will flow naturally to Western Europe or Belgium just because it did in the past. **Times have changed, and we must adapt to this new reality.** Therefore, we must rely less on foreign capital and stimulate domestic investment.

3. Sustainable prosperity

Starting in the 1990s, the various governments in this country embarked on a structured innovation policy. Since then, **research and innovation have become key concepts in every coalition agreement.** Politicians and other policymakers rightly recognize that Belgium is well-positioned to create wealth through self-reinforcing ecosystems. We owe this to our small size, strategic location in Europe, well- and highly skilled workforce, innovative SMEs, and leading knowledge institutions. Within this innovation policy, venture capital and private equity are a crucial link. Without capital and investment, no new innovative companies emerge, and wealth creation is halted.

These ecosystems are built on a self-reinforcing network of four actors³ - **academia, government, society, and business.** Dynamic interactions among these actors drive innovation and wealth creation. **All four are crucial to the real economy and wealth creation.** This resulted in success stories such as **Argenx, Univercells** and so many others. These success stories are inspiring other sectors, scale-ups like **Odo, Materialise** and **Collibra** are ambassadors of the new economy. Collibra, for example, originated as a spin-off from the Free University of Brussels (VUB). Similarly, **Paleo** started from a ULB laboratory. **VC plays an essential role in the valorisation of research at Belgian universities, which is funded by public bodies.** With VC funding as seed capital, companies (spin-offs) can be set up to valorise these research results. This generates returns for both society and the university.

Collaboration between government and private investors also remains a key to success. Thanks to private-public projects such as the **Flemish Institute for Biotechnology** and the **EU Biotech Campus.** The biotech ecosystem around Charleroi, Belgium, is a global player in the field of biotechnology. Because of companies like **argenx** and **Biocartis**, which come from the biotech ecosystem, the whole world looks at Belgium. Biotech companies funded by VC are valued at around 36 billion.⁴ Another example is Brussels-based company **Itsme**, which can bet on international expansion thanks to a capital injection from **SFPIM.**

³ McAdam, M. and Debackere, K. (2018), Beyond 'triple helix' toward 'quadruple helix' models in regional innovation systems: implications for theory and practice. *R&D Management*, 48: 3-6. <https://doi.org/10.1111/radm.12309>

⁴ VIB Pitchbook analysis.

In the data and analytics sector, **Collibra** (Brussels) is a global provider of end-to-end data intelligence cloud solutions for businesses and government agencies. Zaventem-based cloud-telecom company **Dsnty** could also become Europe's number one in a short time thanks to private investors. Then there is **Odoo** (Louvain-La-Neuve), in response to the shortcomings of Salesforce and SAP, which offers software packages for business management, such as CRM, e-commerce, invoicing, accounting, production, warehouse, project management and inventory management. In terms of e-commerce, we should not forget Edingen-based **Verbolia**. Finally, there is **Deliverect** (Ghent) which integrates online orders from restaurants and other food businesses into restaurants' **point-of-sale systems** to improve their operational flow.

Also within the ecosystem around Kortrijk and Ghent, venture capital plays a crucial role in helping startups grow into mature companies. Recently the **Flanders Game Hub** was founded in Kortrijk as a brand-new incubator and accelerator program for Flanders' gaming industry. Flanders Game Hub serves as a catalyst for game companies, fostering their growth and enhancing the overall game community. By supporting start-ups, nurturing game studios into successful companies, and building a united community, they aim to propel game studios to new innovations. With the collaboration of experts, investors, partners, and other valuable connections, they will assist Belgian gaming companies in reaching success. **Worldwide, people are rightly jealous of Belgium's gaming industry.**

4. BVA as a partner for growth and prosperity

In partnership with private investors, the success story of local ecosystems in Belgium must be continued. In doing so, it is crucial that our sector has a competitive and long-term fiscal framework to continue making the necessary Belgian investments. **As BVA, we want to be a partner of governments and to continue our role in creating growth and prosperity.** The role of BVA members within Belgian society and economy rests on **five pillars**: innovation, job creation, local network & domestic investment, prosperity & economic security, and human capital.

4.1. Innovation

The venture capital and private equity sector is an innovation catalyst through its dedication to nurturing local talent and ideas, stimulating the growth of both local innovation ecosystems and regional industries. This includes companies such as **Techwolf**, which has developed an hr platform based on **artificial intelligence**. Venture capital and private equity play a crucial role in supporting sustainability goals. The sector is at the forefront of **ESG reporting**, providing capital to sustainable companies, promoting innovation and encouraging positive social impact. Traditionally, potential investors do extensive due diligence on the business, financial, tax and legal aspects of a transaction. In the short term, ESG has evolved into an additional and equally important area of research. A concrete example of this is **argenx** (Ghent), which achieved a global breakthrough in the treatment of a rare autoimmune disease with their innovative drug. **Apheo.bio** (Ghent), which is developing next-generation organic agricultural products for a healthier and more sustainable food system, is another prime example.

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4.2. Job Creation

Venture capital and private equity play a crucial role in job creation by providing essential financing to start-ups and SMEs, contributing significantly to employment, economic growth, and overall prosperity. For example, through the support of private capital, **Biobest** (Westerlo) has grown into one of the world's leading companies in natural pollination and crop protection. Through this impressive growth, Biobest has created more than 2,500 jobs. Other examples are **Odo** and **Collibra**. Together, they have already created more than 3,000 jobs worldwide.

4.3. Local network & domestic investment

Private investment is an important mainstay in nurturing local businesses by injecting vital funds and expertise into promising ventures. This not only stimulates the development of regional industries but also promotes domestic investment. This is how the **biotech ecosystem in Charleroi** was established. The same applies to the Limburg biotech software company **UgenTec**, which has been able to scale up successfully thanks to local investors such as **LRM**. Through the local collaboration of biotech companies, universities and research institutes, Belgium has become an international hub of innovation and research in this sector. **IMEC** is also an example of a global R&D hub and **ecosystem for the nano and digital technology sector**. As a successful partnership between academia, industry and research centres, IMEC thus stimulates innovation and technological progress in Belgium and beyond. As a country, we carry with us a painful episode where **Brussels failed as a financial centre** and with it the knowledge left for London and Frankfurt, for example. It is crucial to retain financial expertise and nurture venture capital and private equity as partners to **strengthen local networks**.

4.4. Welfare & economic security

Prosperity is based, on the one hand, on **economic growth** and, on the other, on strengthening various forms of **domestic capital**. Venture capital is an important pillar in driving prosperity and ensuring economic security, especially in the face of **geopolitical uncertainties**. A strong venture capital and private equity sector keeps companies 'Belgian' longer and slows down the importance of foreign capital. The Colruyt family's investment company, **Korys** (Halle), has been investing in wind farms in the North Sea for more than 20 years. **Ackermans & Van Haaren** (Antwerp) also finances companies in strategic sectors. **DEME** is a perfect example of a global player in port infrastructure and wind energy. These investments form the basis for the energy transition to a

climate-neutral future, which will reduce Belgium's dependence on foreign energy supplies.⁵ The motivation for venture capital is to want to build things in the long term. It is all about **long-term partnerships** with companies and other investors. This distant horizon ensures that members can play a role in **accelerating societal goals** as well as **securing strategic sectors** such as infrastructure and energy supply.

4.5. Human capital

Belgium is home to many **bright minds with transformative ideas**. The strategic use of venture capital and private equity can catalyse the emergence of thriving companies. Keeping expertise at home is becoming necessary; it serves as a defence against a **brain drain** and increases Belgium's innovative strength for concrete challenges such as climate and ageing. By strengthening **existing ecosystems**, we ensure that accumulated knowledge stays here. Venture capital creates opportunities so we can attract **foreign talent** but also prevent brain drain. We enjoy international recognition, among others, for our **outstanding education (LUCA School of Arts and Howest)** in the **games sector**, but unfortunately, much of our talent leaves abroad due to a lack of domestic investment.

Belgium, however, is in an ideal position to play a leading role in this growing sector with an ecosystem around Kortrijk.^{6 7} In addition to training in the games sector, students at **KU Leuven** have been able to opt for the **Master in Artificial Intelligence** programme for several years now. Specific knowledge within this fast-growing and potentially transformative sector is extremely valuable and also contributes to Belgium's strong reputation as an innovative knowledge economy. The goal should be to build an ecosystem of talent. **Fiscal incentives** can help here to keep expertise and specialised jobs in Belgium. That way, we can give these talents a **bright future**.

5. Policymakers as partners in wealth creation

It is important for our country that we have an optimal business environment for innovative ideas to flourish into full-fledged businesses. **This wealth creation is necessary to meet the challenges ahead of us.** For these challenges, such as ageing costs, energy transition and strategic anchoring of companies in Belgium, the answer is always **an optimal business climate**. Entrepreneurs and investors contribute directly to jobs, innovation, and productivity growth. The upcoming elections of June 9, 2024, offer an opportunity **to anchor this philosophy in a coalition agreement and reap the benefits.**

⁵ <https://parkwind.eu/about-us/history>

⁶ VRT NWS <https://www.vrt.be/vrtnws/nl/2023/08/22/game-industrie-jaarcijfers-gamecom/>

⁷ <https://www.bloovi.be/artikels/stories/2021/belgie-is-internationale-top-qua-gameontwikkelaars-en-toch-vinden-in-vesteerdere-maar-moeizaam-de-weg-naar-onze-gametechnic-start-ups>

Venture capital and private equity are crucial to support entrepreneurs in developing their ideas. For this reason, policies should take into account the **following points**:

- Strengthen the anchoring of domestic capital by supporting a **favourable investment climate**.
- **Stimulate local ecosystems** for innovation and productivity growth.
- Stimulate domestic investment by securing a **long-term and competitive fiscal framework**.
- Catalysing prosperity to **mobilise private capital** towards investment in Belgian companies.

In the context of innovation, productivity growth, start-ups and SMEs, BVA aims to be a **discussion partner** with policymakers. For each of our points, we will come up with concrete policy proposals.

Providing finance to entrepreneurs is essential for **sustainable wealth creation**. A stable, regulatory and fiscal framework is essential for these long-term investments with limited liquidity. Our members operate with **10- to 20-year funds** and depend on this stability. Neglecting this opportunity means a **10-year social and economic loss**. Meanwhile, our country has three unicorns (private companies valued above \$1 billion) that have grown so much thanks to venture capital and private equity. **Let's make sure it doesn't stop at three companies**.

About BVA

The Belgian Venture Capital & Private Equity Association (BVA) was founded in 1986 as a professional association representing the venture capital (VC) and private equity (PE) sectors in Belgium. **BVA members are investment fund managers and professionals providing services to the sector**. The goal of the BVA is to promote the business environment, create sustainable added value and stimulate innovation. In addition, the organisation collects and analyses socioeconomic data related to the VC and PE industry in order to provide fact-based, informed debate with policymakers, academics, media and other stakeholders.

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Appendix: Key figures⁸

Employment

- **1,165** companies in Belgium supported by venture capital and private equity by 2021 in all industrial sectors and regions;
- **886** of which small and medium-sized enterprises with **34,846** employees.⁹
- **236,960** employees work in venture capital and private equity-backed Belgian companies.¹⁰
- This is **5%** of the total **4.8 million** Belgian labour force.
- There are **+4,564 (+6.1%)** net jobs created by venture capital and private equity-backed companies in 2021 versus 2020;
- This in comparison to the +1.6% growth among Belgian companies in general.¹¹

Impact Belgian economy

- Venture capital and private equity investments contributed directly to **0.5%** of Belgium's GDP.¹²
- And since 2007, have invested **25.7 billion euros** in Belgian companies.¹³

⁸ EDC/IMF/Eurostat

⁹ EDC

¹⁰ EDC/Eurostat

¹¹ EDC/Eurostat

¹² EDC/IMF

¹³ EDC