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[positive] “We welcome the successful launch of the VentureEU fund. Public money can sometimes be a toxic fruit for startups if it comes instead of the right policies but done the right way, it is an essential part of creating entrepreneurial ecosystems. The VentureEU fund is set to become a model for future public investment.” says Lenard Koschwitz, Director at Allied for Startups.

[but] “If laws are sour for startups to succeed investors won’t bite, regardless of financial incentives. Which is why money should never come as a substitute of the right rules.”

Too often the government’s reaction to supporting startups has been through subsidies and financial support programmes. While this is not always wrong there is still a high risk of distracting from real issues by waiving Euro bills in front of the eyes of entrepreneurs. This leads to disappointment and short term grantrepreneurship because startups cannot focus on a product and sustainable innovation and growth. While we’ve seen many ill suited activities in the past, the EU’s announcement to kick-off the VentureEU fund of funds might actually be the best initiative so far.

410 million may seem as a decent drop on the hot stone of nearly 7 billion if there wasn’t a powerful leverage behind it to boost it to up to 2.1 billion. Rather than investing directly into startups, which would require administrators to make decisions outside their domain the VentureEU fund supports those who make these decisions on a daily basis: Venture Capital Funds. The 410 million fulfil hence a double effect giving not only capital to these funds but also a token of trust. Trust that is necessary to incentivise other investors, especially those representing institutional capital like insurances, trusts and funds to back VC funds themselves. Rather than getting involved in too much of the detail and risk of individual investment decisions, the EIF stays at an arm’s length.

At Allied for Startups we have always been and remain prudent to endorse or engage in public funding because it risks to distract and distort market driven dynamics. The primary role of public policy should be to create a conducive legislative framework, one without unnecessary red tape, favouring trust and giving room for technological innovation and experimentation.

By vouching financially the VentureEU fund will hopefully accelerate something that naturally has been both too small and too little. Seeing the positive effects of more investment will in turn emphasize where we need further legislative fixing. If laws are sour for startups to succeed investors won’t bite, regardless of financial incentives. Which is why money should never come as a substitute of the right rules.

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