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## DEVELOPMENT OF VENTURE INVESTING IN INTERNATIONAL PARTNERSHIPS

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*Formulation of the problem.* Legal and regulatory obstacles in international partnerships in the field of venture capital investment. The article contains an analysis of various legal systems, regulatory frameworks and procedures that may complicate the cooperation of international partners and venture investors. *The purpose of the article* is to study the potential of venture capital investment for the development of international partnerships, to analyze the advantages of capital investment, such as stimulating innovation, strengthening technological ties, promoting the exchange of knowledge and experience of international partners. *The methodological basis of the research* was the logical methods of information processing, statistical analysis, comparison. *The main hypothesis of the study* was the assumption that the problems associated with attracting financial resources from abroad, unfavorable conditions for venture investors, risks associated with cross-border investments can be eliminated through a new stage of international cooperation. *Presenting main material.* The role of venture capital investment in the innovative economy is revealed. The prerequisites and problems of venture investment development based on public-private partnership are considered. Provisions regarding the formation of the structure of the mechanism of state support for venture business have been formulated. Areas of improvement of venture investing have been determined. *Originality and practical significance of the research.* Identification of problems and challenges facing the development of venture capital investment in international partnerships. The article characterizes barriers such as insufficient information exchange, legal and regulatory obstacles, uneven distribution of access to venture capital and other factors that inhibit the development of cooperation between international partners in the field of venture investment. *Conclusions.* Proposed recommendations for improving cooperation in the field of venture capital investment between international partners. The article provides specific advice and recommendations for governments, the business community and other stakeholders to strengthen international partnerships in the field of venture capital investment.

**Key words:**

venture business, venture investment, public-private partnership, mechanism, venture funds.

## РОЗВИТОК ВЕНЧУРНОГО ІНВЕСТИВАННЯ У МІЖНАРОДНИХ ПАРТНЕРСЬКИХ ВІДНОСИНАХ

*Постановка проблеми.* Правові та регуляторні перешкоди у міжнародних партнерських відносинах у сфері венчурного інвестування. Стаття містить аналіз різних правових систем, регуляторних рамок та процедур, які можуть ускладнювати співпрацю міжнародних партнерів і венчурних інвесторів. *Метою статті* є вивчення потенціалу венчурного інвестування для розвитку міжнародних партнерських відносин, аналіз переваг венчурного інвестування, такі як стимулювання інновацій, зміцнення технологічних зв'язків, сприяння обміну знаннями та досвідом міжнародних партнерів. *Методологічною основою дослідження* стали логічні методи обробки інформації, статистичний аналіз, порівняння. *Основною гіпотезою дослідження* стало припущення, що проблеми, пов'язані зі залученням фінансових ресурсів з-за кордону, несприятливими умовами для венчурних інвесторів, ризиками, пов'язаними з крос-бордер-інвестиціями можна усунути шляхом нового етапу міжнародної співпраці. *Виклад основного матеріалу.* Розкрито роль венчурного інвестування в інноваційній економіці. Розглянуто передумови та проблеми розвитку венчурного інвестування на основі державно-приватного партнерства. Сформульовано положення щодо формування структури механізму

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державної підтримки венчурного бізнесу. Визначено напрями вдосконалення венчурного інвестування. *Оригінальність та практичне значення дослідження.* Виявлення проблем та викликів, які стоять перед розвитком венчурного інвестування у міжнародних партнерських відносинах. Стаття характеризує бар'єри, такі як недостатній обмін інформацією, правові та регуляторні перешкоди, нерівномірний розподіл доступу до венчурного капіталу та інші фактори, що гальмують розвиток співпраці міжнародних партнерів у сфері венчурного інвестування. *Висновки.* Запропоновані рекомендації щодо поліпшення співпраці у сфері венчурного інвестування між міжнародними партнерами. Стаття надає конкретні поради та рекомендації для урядів, бізнес-спільноти та інших зацікавлених сторін щодо зміцнення міжнародних партнерських відносин у сфері венчурного інвестування..

**Ключові слова:**

венчурний бізнес, венчурне інвестування, державно-приватне партнерство, механізм, венчурні фонди.

**Formulation of the problem.** At the present stage in Turkey, the task of developing a national strategy for the development of the venture industry, which is based on public-private partnership, becomes relevant. Venture business has established itself as one of the most effective tools for implementing an innovative growth model for the real sector of the economy, and has improved the effectiveness of the institution of venture investment in developed countries. Turkey, China, Sweden demonstrate the highest growth dynamics of venture investments. The overwhelming share of investments in high-tech industries is carried out by the USA (85% of the total volume), Turkey (66%), Taiwan (65%) [1, p. 134]. Successful world experience determines the role of the state in the development of venture capital as a catalyst for the venture industry, including in Turkey (Yozma). Turkey is a highly developed country with an innovation-oriented economy: the share of R&D expenditures is 4.71% of the total GDP [2]. The most successful venture capital companies are Check Point Software and Mirabilis.

The prerequisites for the development of venture capital financing in Turkey are:

- intensification of the global economic and financial crisis;
- backlog of transport infrastructure development from demand;
- dependence on world prices for energy resources necessitates the development of projects of alternative energy sources;
- implementation of an emergency plan to combat the crisis of the country's water supply (production of fresh water until 2020 in the amount of 750 million cubic meters per year) [3].

The development of venture business on the basis of partnership with society and business is hindered by the following factors:

- the emergence of risks for the public and private sectors;
- insufficient legal and financial base;
- increasing the monetization of the investment market;
- the ability to replace private money with public money;
- negative impact on the competitive environment;
- the possibility of reducing the funding of existing successful government programs;
- lack of specialists in the field of venture entrepreneurship and training programs for them;
- imperfection of the system of benefits for venture capital companies and funds;
- the complexity of the process of coordination and implementation of projects due to the large number of participants in the DPP projects and the variety of related contracts.

Venture investment mechanisms in Turkey require constant improvement, especially in terms of the implementation of incentive programs that contribute to the development of venture business and reduce its risks. It is also necessary to develop a methodology for the formation of a national model of the venture industry and methods of partnership between business and the state in this area.

**Analysis of the rest of the research and publications.** A significant contribution to the development of the investment and financial mechanism of venture business was made by foreign scientists, including D. Gladstone, L. Gladstone, P. Gompers, K. Campbell, J. Lerner, M. Maul, G. Murray, G. Bigrave, J. Timons, T. Halman, M. Puri, C. Richardson, C. Barry, C. Mascarell, J. Peavy III, M. Vetsyupens. However, the solution of problems related to ensuring a balance between the interests of the state and private business, the formation of a mechanism for state support of venture capital investment requires further research.





**The purpose of the article** is to study the potential of venture capital investment for the development of international partnerships, to analyze the advantages of capital investment, such as stimulating innovation, strengthening technological ties, promoting the exchange of knowledge and experience of international partners.

**Presentation of the main research material.** The objectives of Israel's public policy are to provide services in the most efficient and cost-effective way, maximize the use of resources, increase investment in innovation and create conditions for investment in infrastructure from non-budgetary sources. There is a clear relationship between innovation, investment and socio-economic development of the country. According to the calculations of foreign analysts, on average, an increase in the country's welfare by 1 point is proportional to an increase in the share of investments in the development of the scientific and technological complex by 0.02% of GDP.

One of the priority areas for the strategic development of the Israeli economy is venture capital investment. According to the definition of the European Association, venture capital is the provision of share capital by professional firms that invest and jointly manage new or developing private companies that demonstrate high growth potential [4]. The significance of venture capital investment in innovative activity, both as a factor in the development of individual companies, and as a factor in the development of the modern economy as a whole, is as follows:

1. Venture investments are the driving force behind innovative business and a stimulator of economic growth and the country's competitiveness.

2. At the microeconomic level, venture investments are a source of development, entrepreneurial initiative and profit.

3. At the industry level, venture investments perform the function of stimulating the development of high-tech industries.

4. At the macro level, venture investments serve as the basis for structural adjustment and modernization of the national economy.

5. Investments are a condition and guarantee of achieving a certain social effect and solving environmental problems.

Throughout the entire period of the evolution of institutions for financing the national venture capital business, the state of Israel has played a key role in its institutional

and legal support: 1) the functioning of the main political institutions that create the necessary conditions for the long-term and sustainable development of an innovative economy; 2) development of special state programs focused on the development of infrastructure in various sectors, including transport, water supply, energy, defense; 3) creation of an institutional environment for all subjects of the innovation economy (government, research institutes and universities, venture business, large manufacturing companies); 4) development of legal legislation regulating the inflow of capital into venture funds.

In 2000-2007, the Turkish government adopted a number of laws regulating the economic, financial, legal relations of the state, society and business entities in the field of gas production and consumption, water supply, electricity production and consumption, and construction. Laws on the encouragement of capital investments and scientific research have been approved, tax reforms have been carried out, and privatization is proceeding at a rapid pace. However, there is no separate law regulating public-private partnerships.

In the understanding of specialists, public-private partnerships are long-term agreements between the public and private sectors (mainly large-scale and complex) for the provision of services by the private sector, usually related to the prerogative of the state [3, p. 5]. These agreements allow the fullest use of the capabilities of each of the parties through the competent distribution of risks, resources and rewards in order to maximize the quality and minimize the price of the services provided in the price-quality category.

Public-private partnership is characterized by the following main features: 1) the parties to the partnership must be represented by both public and private sectors of the economy; 2) the relationship of the parties to the public-private partnership should be recorded in official documents and be of a partnership, that is, equal in rights; 3) the parties to the public-private partnership must have common goals and a clearly defined public interest, pooling their contributions to achieve common goals; 4) the parties to the public-private partnership should share the costs and risks among themselves, as well as participate in the use of the results obtained.

Public-private partnership (PPP) gives the Turkish government the opportunity to provide

the population with additional and better basic services (in transport, water supply, defense) by attracting the capital and competencies of the private sector. For the private sector, PPPs provide a unique business opportunity to provide a wide range of services over a long period (typically 20 to 30 years), at well-defined rules and at negotiated rates.

Basic principles for the implementation of PPP projects: common participation of the private sector and the public sector; transition of the state from the status of the owner to the user of services; long-term license period (20 - 35 - 99 years); private sector activities: planning, construction, financing, commissioning, maintenance, sale of services / goods; using the relative advantages of different sectors with the distribution of liability risk factors.

In recent years, a number of large infrastructure projects have been introduced in Turkey, in the implementation and financing of which the private sector has played a significant role. Whereas the traditional idea of PPP in Turkey was associated only with large infrastructure projects initiated by the state. Today, the PPP model seems to be suitable for medium-sized projects, in particular, projects of municipalities and non-profit organizations.

Among the main steps of the state and society aimed at increasing the innovative potential of the Israeli economy and attracting business to this work, the following should be mentioned:

creation of the Infrastructure Fund in 2006;  
formation of the PPP Project Department in the structure of the state insurance company INBAL, which coordinates the work of various tender committees (works according to the principle of the PPP center of Vnesheconombank);

creation of interdepartmental tender committees with the participation of relevant ministries and departments (Ministry of Finance, Ministry of Transport, Ministry of National Infrastructure).

The main stages of development and implementation of PPP projects are:

1. Studying the business environment.
2. Identification of the main criteria for the suitability of the project for the use of PPP schemes: the definition of venture financing mechanisms, the possibility of combining the interests of the public and private sectors, the transfer of project risks to a private investor.

3. Evaluation of proposals - comparison of the project cost in terms of the implementation of the project exclusively by the public sector, and tender proposals from the private sector, with the cost of the project, which is carried out according to the PPP model.

The mechanism of state support for venture investment is a complex mutually agreed system of institutions, organizational, economic and legislative measures taken by the state in order to regulate and stimulate venture business. This mechanism includes the following elements: normative; organizational; financial; personnel and information.

The regulatory element of the state support mechanism is based on legislative acts and regulations governing venture investment in innovative activities and specialized legal institutions that ensure the practical application of the regulatory framework.

The organizational element combines a set of organizational procedures and structures that relate to the private and public sectors and determine the functioning and development of venture capital investment. The main organizational elements are: Ministry of Finance, Ministry of Transport, Ministry of National Infrastructure, Interdepartmental Tender Committees, venture companies (Check Point Software, Mirabilis); business schools; science and technology parks, innovation and technology centers; information-analytical and consulting centers.

The structure of financial support includes banks, insurance companies (PPP Project Department in the structure of the state insurance company INBAL), state investment funds (infrastructure fund), corporate and individual investors, venture funds.

The personnel element provides for the development of a complex of various institutions for the training and training of qualified managers and consultants in management and business, innovation managers and investment asset managers.

Information support of venture investment unites reference, patent, analytical, technical and advertising information, regularly updated and summarized by information institutions and supplied to users through various communication channels.

The creation of municipal private-state venture funds is aimed at ensuring that public funds invested in venture funds will reduce the risks of private investors included in these funds







and play the role of a catalyst in attracting private funds to the venture business. Despite the success of similar programs in Turkey (Yozma), the American experience in the termination of financing using FVC equity mechanisms under the Small Business Investment Companies program (when they issue so-called equity securities) indicates a high risk of such mechanisms of state incentives for the development of venture investment. In this regard, it is expedient to expand the set of mechanisms used in Turkey to stimulate the development of venture financing by providing state guarantees for borrowed funds of venture funds. Such a mechanism will help reduce the risks of investing in debt securities of venture capital companies and stimulate the development of venture capital investments.

**Conclusions and prospects for further research.** The main ways to increase the activity of venture investment are:

- allocation of public funds for the development of the institute for financing innovations and payment for the services of venture companies;
- creation of favorable conditions for attracting private business to solve government problems (venture infrastructure, amendments to legislation);
- the use of financial leverage to ensure the growth of the value of venture companies and capitalization as the main criterion for their sustainable development.

The mechanism of state support for venture investment, which combines regulatory, organizational, financial, personnel and information elements, will contribute to the formation of an economic and legal environment favorable for the development of the venture capital industry based on public-private partnership mechanisms.

Subsequent studies provide for the development of recommendations for the

implementation of action programs of the state and business in the field of venture financing of the innovative economy.

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