Identifying factors that support and hinder the scaling up of promising new ventures

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• What are the challenges in Europe?

• Innovation and diffusion of innovation

• Barriers due to uncertainty, skills, business and labor market and in some cases, access to finance

• Policy response should tackle finance, but also a whole range of measures to create a favorable environment and reallocate resources, when needed
Overall environment

• EIB Group new survey on Investment and Investment Finance: 12,500 EU firms interviewed each year

• Positive phase of the cycle: business investment recovering in Europe, though with differentiation among countries and asset classes

• Firms are mostly concerned by the “quality” of their capital

• Replacement and new products and services are the main reasons to invest

• Less than 50% of European firms adopted new processes or products and mostly as adaptation

• Uncertainty, availability of skills and to a lesser extent (geographical and sector specific) labor and business regulations are a constraint to firms investment

• Access to finance a concerns in some countries and for some firms
Intangibles positively contributing to investment recovery, but with a gap vs peers

R&D as % of GDP, EU and major economies

Investment in intangibles (INTAN definition) as % of GDP, 2010-2013

Source: EIB, based on Eurstat and INTAN-Invest database
Impediments to investment

- Availability of skills: more complaints as major obstacle from young firms (<5y)
  - In 22 out of 28 EU MS

- Labor market regulation: more complaints as major obstacle from young firms
  - Labor market regulation also strongly negatively related to investment in intangibles (particularly in service sector and IT)

- Business regulation and labor market regulation inducing a step effect in firms’ growth

- Availability of finance: not the major obstacle, but more complaints from young firms
Policy priorities

• Young and innovative firms generate jobs

• Skills and labor market constraints an issue:
  • Equip the young generation with best possible cognitive abilities
  • Create a coherent strategy for teaching advanced digital skills
  • Labor market regulation hindering intangible investment and young firms growth

• Business regulation prevents reallocation of resources

• Access to finance:
  • Whole spectrum of financing from pre-seed to development
  • Equity financing and exit strategies
  • Collateral schemes and register for intangibles

• Equality of opportunity crucial also in the context of technological change, competitiveness and inclusiveness of growth:
  • WEF-EIB-Bruegel 2017 report, presented on March 21st
EIB Group Plays a role

Among other activities:

- EIF, as a VC fund of fund performed EUR 10.94bn investments in 1996-2014
- These benefited a "portfolio" of about 3,400 seed and start-up companies
- Investment backed by EIF represented 41% of total VC investments in Europe in 2014 (29% in 2007). The share directly attributable to EIF amounts to 10% (5% in 2007)
- EIF crowding-in effect: on average, a 1% increase in EIF-provided VC capital in a region led to a 1.41% increase in other investors’ activity in the same region, one year later

Source: Helmut Kremer Eis et al (2016): The European venture capital landscape: an EIF perspective
EIB Investment Survey (EIBIS)

- Some 12,500 firms in the 28 EU member states
- Survey of non-financial corporate sector (firms with 5+ employees)
  - Covering manufacturing, services, construction and infrastructure sector
- Qualitative and quantitative information on:
  - firm characteristics and performance
  - past investment activities and future plans
  - sources of finance
  - and challenges that businesses face
- Representative of the economy (firms weighted by value-added) at the level of:
  - EU28
  - each EU member state (separately)
  - 4 industry groups (within each member state – for most countries)
  - and 4 size classes (within each member state – for most countries)
- Annual survey for an initial period of 3 years (panel plus cross-section)