

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

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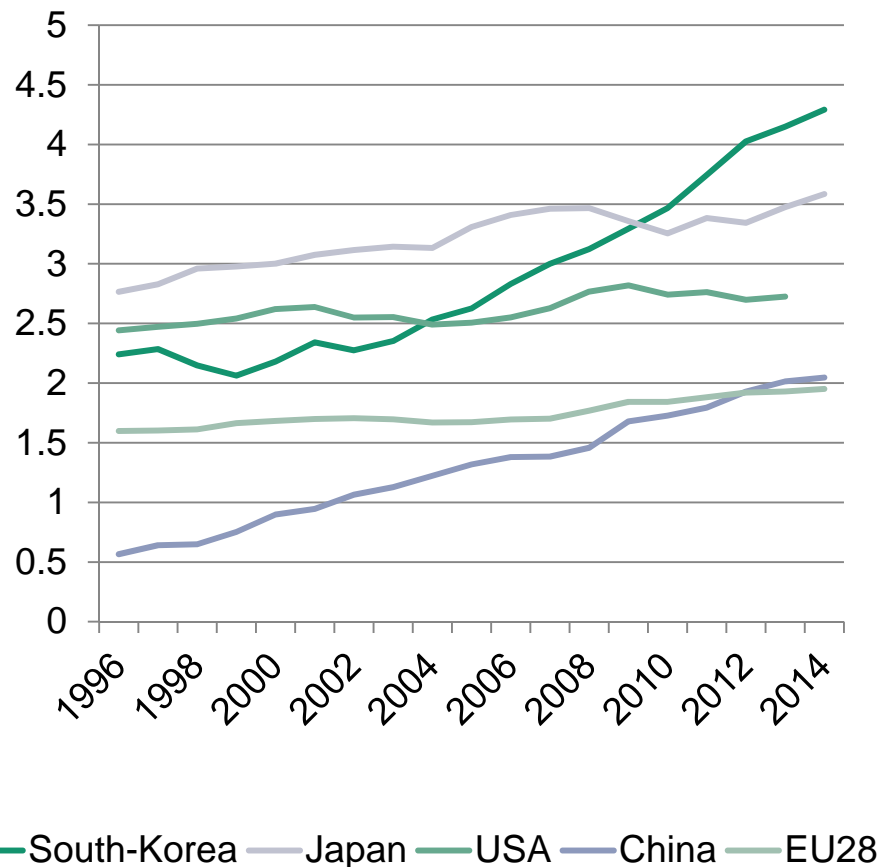
- What are the challenges in Europe?
 - Innovation and diffusion of innovation
 - Barriers due to uncertainty, skills, business and labor market and in some cases, access to finance
 - Policy response should tackle finance, but also a whole range of measures to create a favorable environment and reallocate resources, when needed

Overall environment

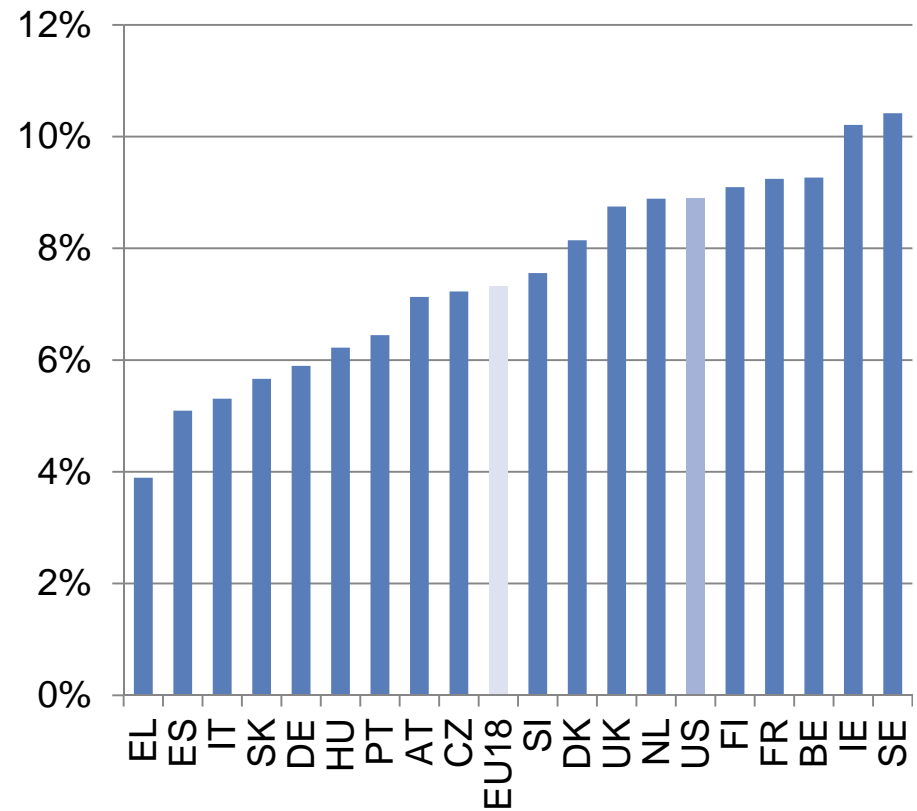
- EIB Group new survey on Investment and Investment Finance: 12,500 EU firms interviewed each year
- Positive phase of the cycle: business investment recovering in Europe, though with differentiation among countries and asset classes
- Firms are mostly concerned by the “quality” of their capital
- Replacement 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

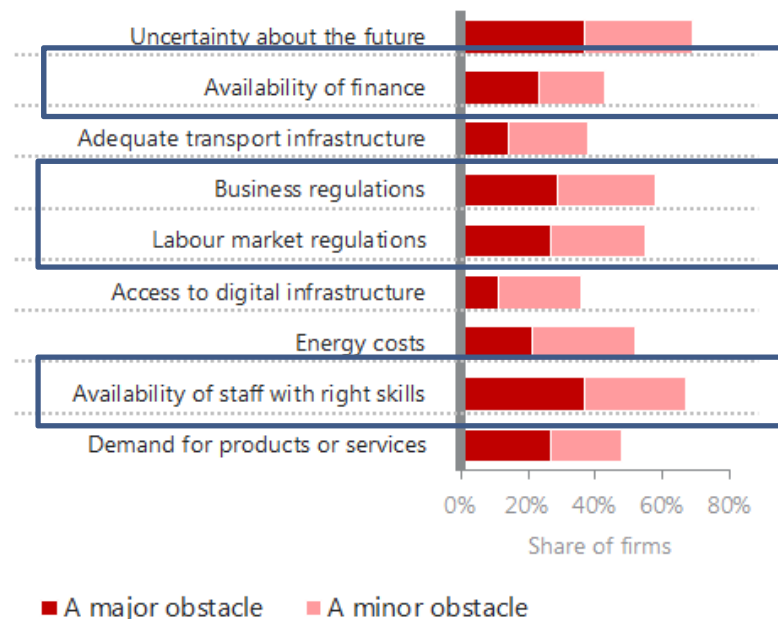


Investment in intangibles (INTAN definition) as % of GDP, 2010-2013



Impediments to investment

Long term barriers to investment



Base: EU average of all firms (data not shown for those who said not an obstacle at all/don't know/refused)

Q. Thinking about your investment activities in #country#, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

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

Our priorities



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

ANNEX

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)