Response to European Commission Call for Evidence

New European Innovation Agenda

We would like to comment on this initiative in our quality as representatives of the private equity and venture capital industry.

Our members raise funds from a wide range of investors and use it to invest equity, for an average of five years, into start-ups and scale-ups. Thanks to the active involvement of the fund manager, the invested company is able to grow until the point it can be traded on the stock market or bought by a third party. The business model of our members makes them as essential link of the innovation financing chain, as it allows them to act as a bridge between, on one hand, savers and pensioneers investing in pension and insurance products and, on the other, start-ups and scale-ups.

If we share the Commission's overall objective of supporting the green and digital transitions through investments in innovative companies, we also share its concern that access to finance remains difficult for these businesses, in particular at the "late stage" end of their growth.

However, efforts to close the scale-up gap should not divert the Commission's attention from the fact that many European venture capital markets remain so underdeveloped that even investments into small start-ups is below par. One of the reasons for this, beyond cultural factors, is the regulatory barriers that remain in place for institutional and sophisticated investors, such as high net worth individuals, to support innovative businesses though venture funds. This is especially true in the CEE region – where large pension funds remain sometimes unable to commit capital to private equity. In these countries, improving access to finance is also about best leveraging the existing public intervention. For these markets to ultimately mature, public capital should crowd-in rather than crowd-out private managers and operate under market-like standards.

On most developed markets, concerns rather relate to the perception of the asset class being riskier than it is, as EU prudential frameworks for banks and insurers disregard the diversification benefits fund investments can bring. Facilitating exits, by making IPOs less expensive, will also play in the overall attractiveness of making investments in innovative businesses through venture and growth funds.

Regarding access to talent, we support the ideas put forward by Scale Up Europe to create a tech worker status for European talent, with a standardised contract and the portability of social rights across the continent. Fast-track European tech visa for non-Europeans and a favourable expat tax regime would also help innovators to move across Europe with lower concerns.

Finally, shrinking the divide between the EU and the United States on innovation will not be possible without building a strong Single Market. Without this, it is doubtful successful start-ups, whether in the tech, energy or healthcare sectors, will stop choosing to scale-up on the US market rather than on the European hand.

On that end, we support the view that driving innovation ecosystems and building clusters will go hand in hand with building a regulatory framework that immediately considers latest technological developments. For examples, EU insolvency rules should better reflect that entrepreneurs need to fail several times before setting up businesses of tomorrow. Protectionist forces in the competition and foreign investment spaces could also impact the ability of entrepreneurs to innovate.

Invest Europe would be keen to give the Commission additional insights on the way its members experience the EU innovation gap and what other changes could be introduced for the EU region to become again the innovative powerhouse it has historically been.