



"Science, Research and Innovation Performance of the EU 2018"

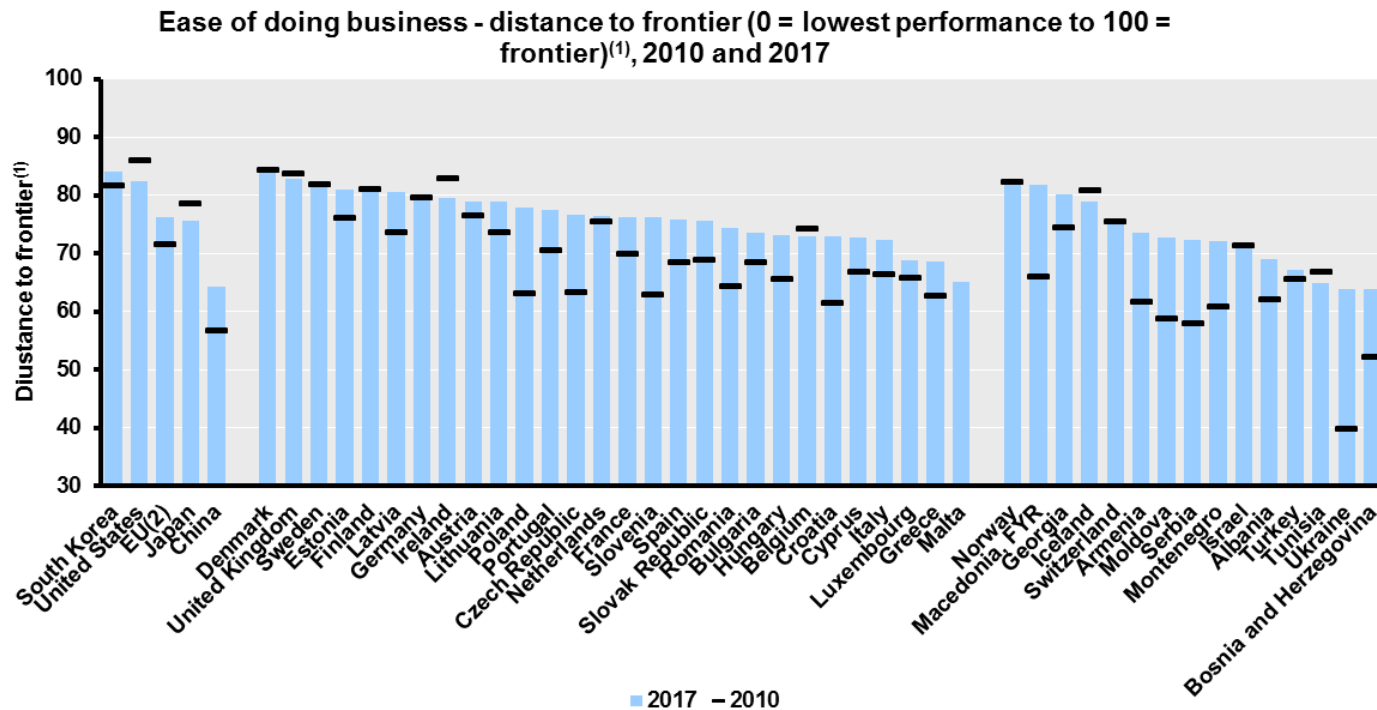
CHAPTER I.5: Framework conditions

**ERAC Workshop
Brussels, 4 October 2017**

Key findings

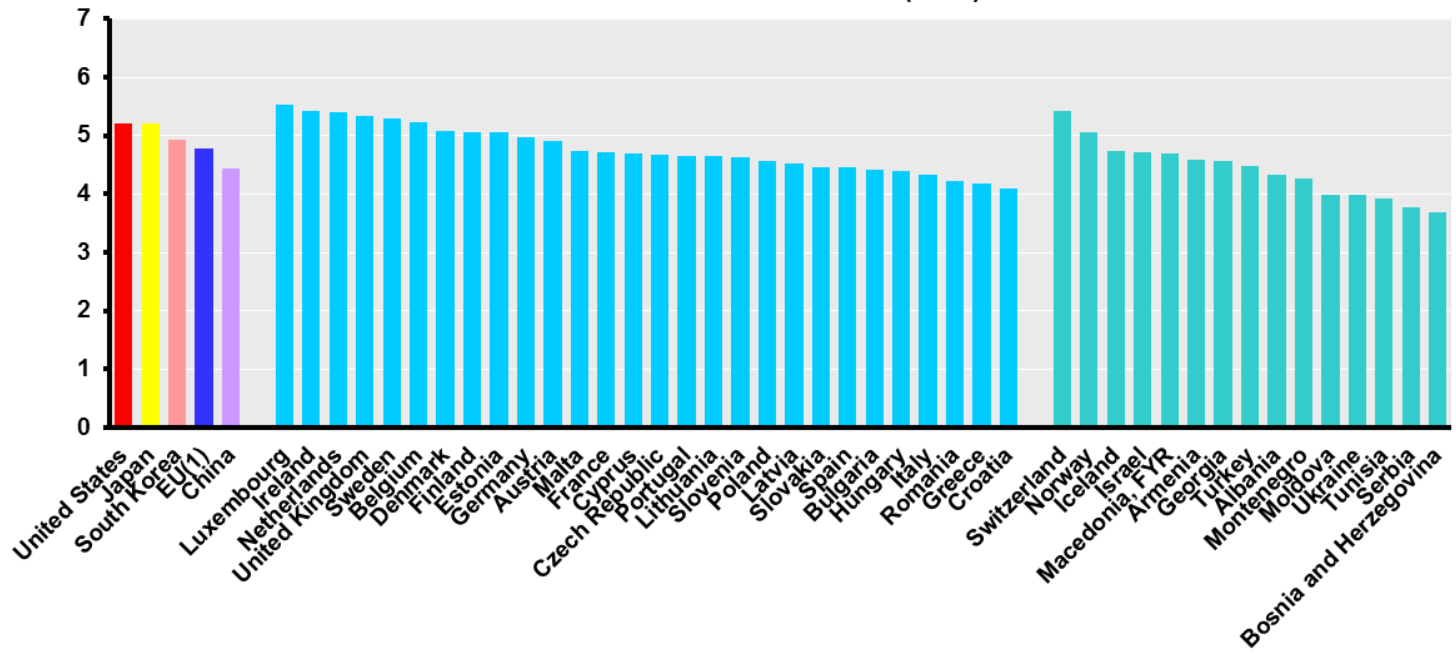
- In the past years, reforms adopted in the EU improved the functioning of markets, notably in MS most affected by the crisis. But efforts have slowed down in recent years.
- Despite progress, weaknesses in the functioning of markets and framework conditions for innovation persist in Europe, and the internal market remains fragmented.
- The European market is still highly banking driven and differences in access to finance between small and large companies persist. The venture capital market remains underdeveloped and especially scale-up capital remains scarce.
- As a result, financial and human resources continue to be locked-in in unproductive companies instead of being redirected towards more innovative/productive activities.

Europe managed to create more favourable conditions for businesses, especially in some MS, but...



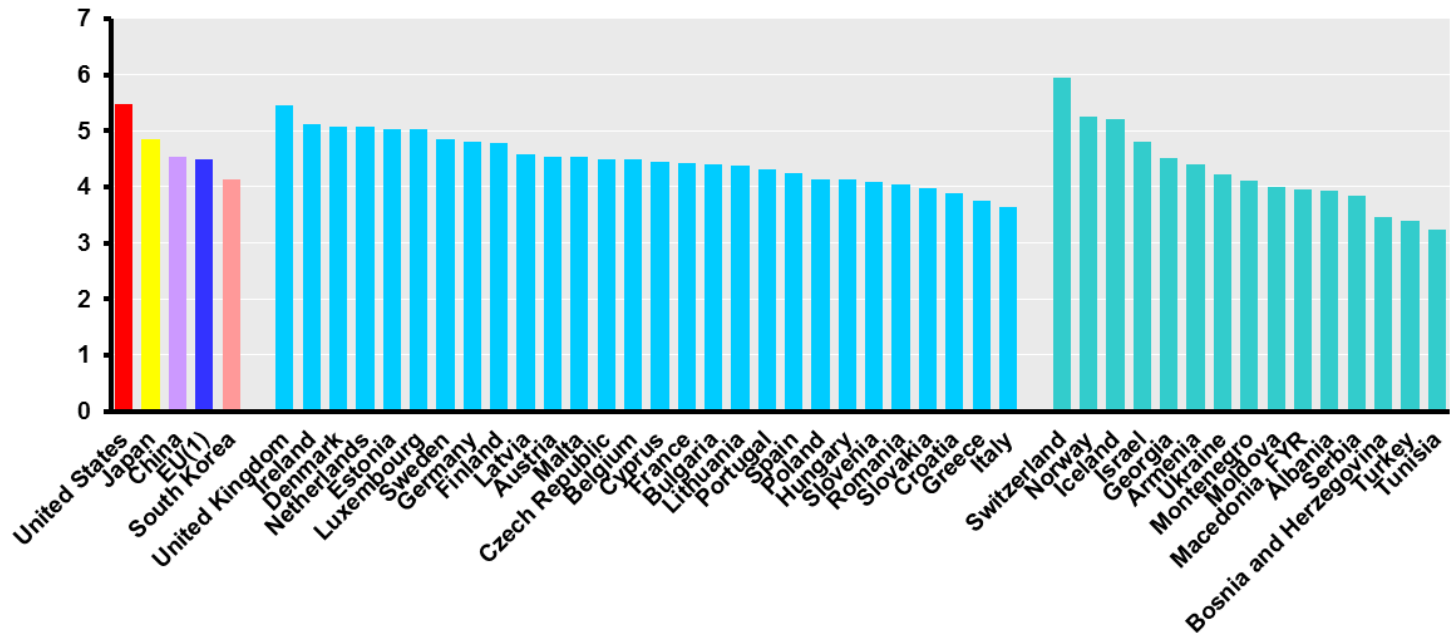
... overall the EU still lags behind in building more effective market conditions...

Global Competitiveness Index - goods market efficiency, 2016
values are on a scale of 1 to 7 (best)



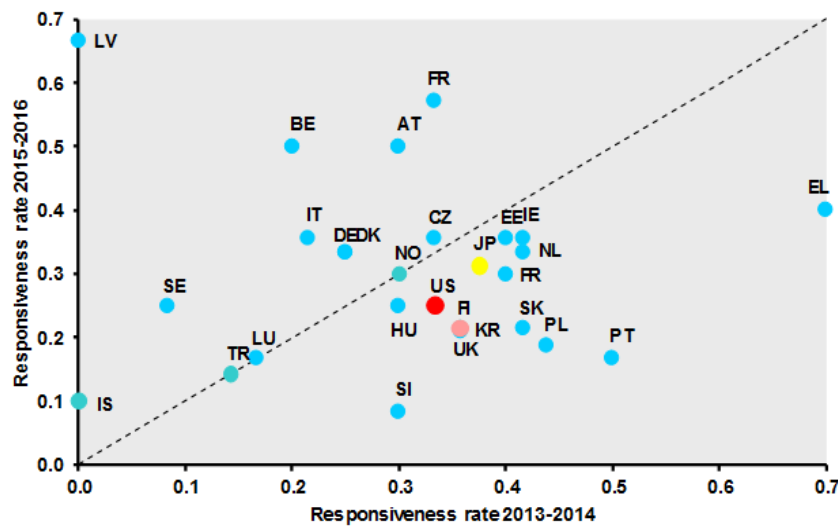
... and improving labour market efficiency...

Global Competitiveness Index - labour market efficiency, 2016
values are on a scale of 1 to 7 (best)



... and progress seems to have stalled in recent years, signalling reform fatigue.

Figure A: Responsiveness rate to reforms, 2013-2014 and 2015-2016

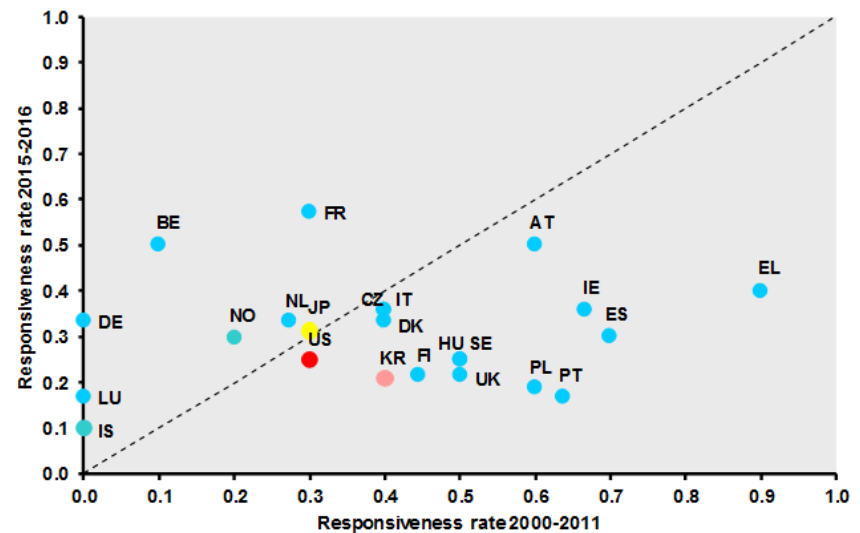


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Source: OECD

Data: OECD, Economic Policy Reforms 2017: Going for Growth - OECD 2017

Figure B: Responsiveness rate to reforms, 2010-2011 and 2015-2016

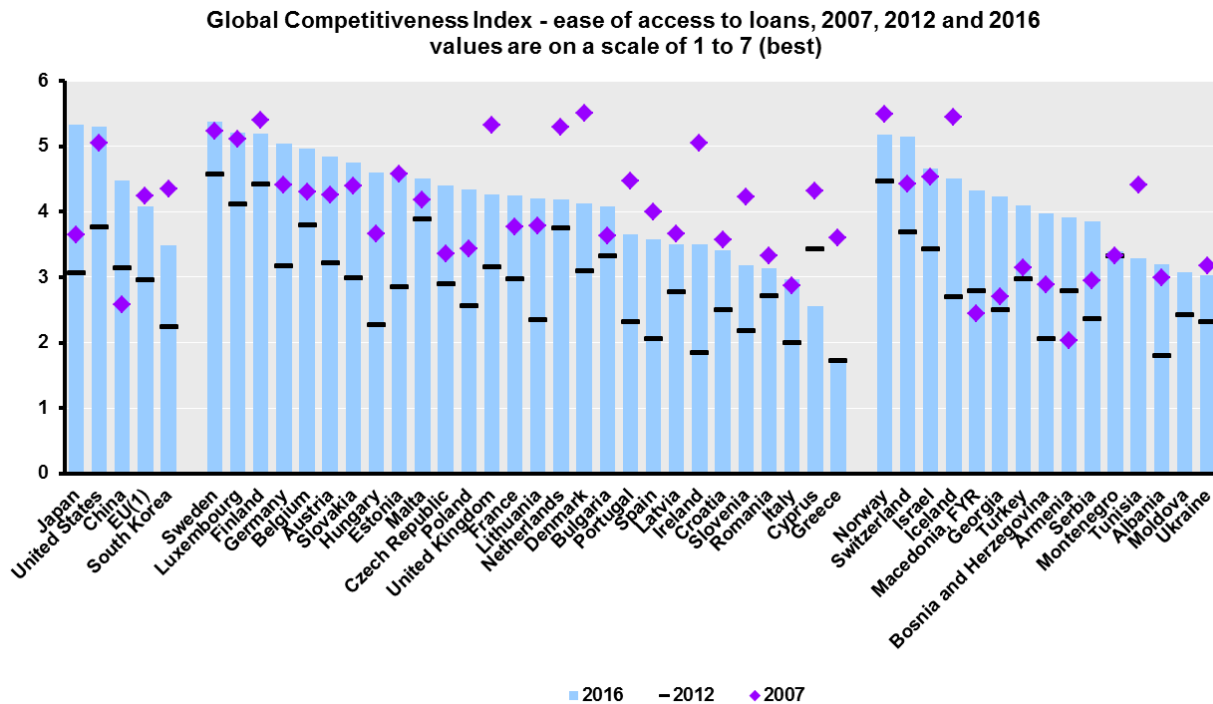


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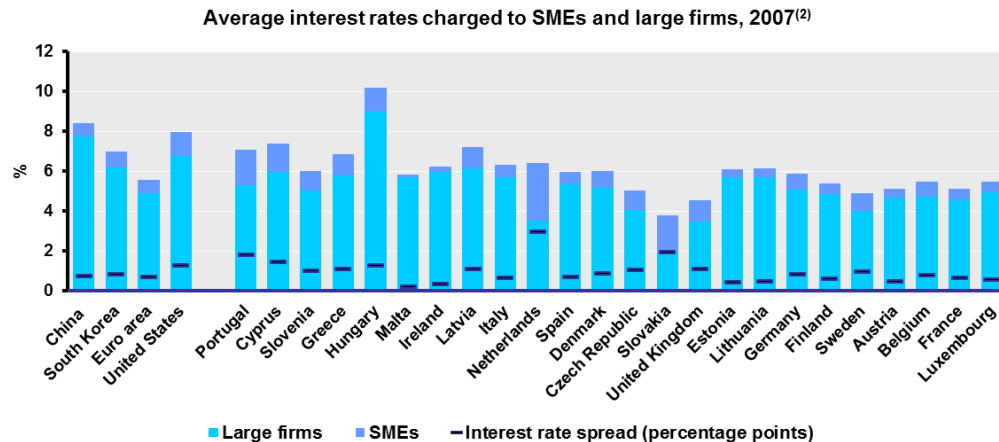
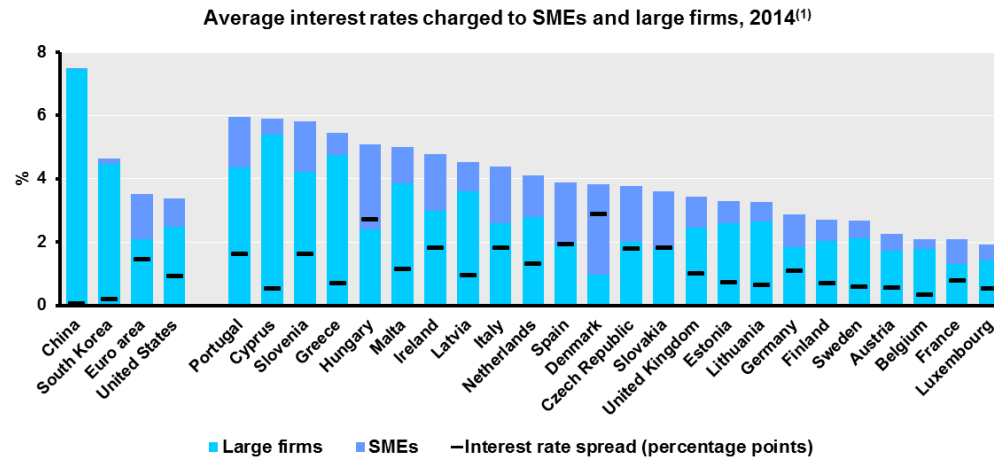
Source: OECD

Data: OECD

Access to loans was severely restrained during the crisis and has not yet entirely recovered...

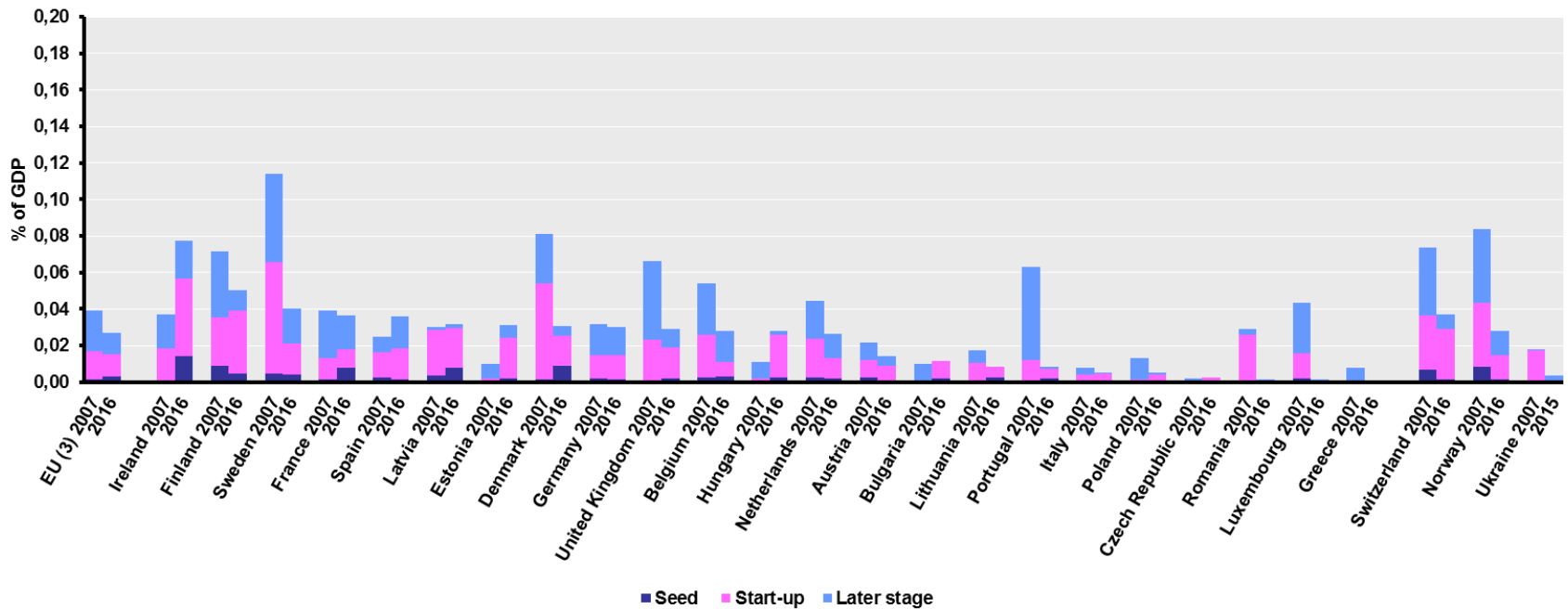


... and while interest rates have decreased, the spread between large firms and SMEs has increased



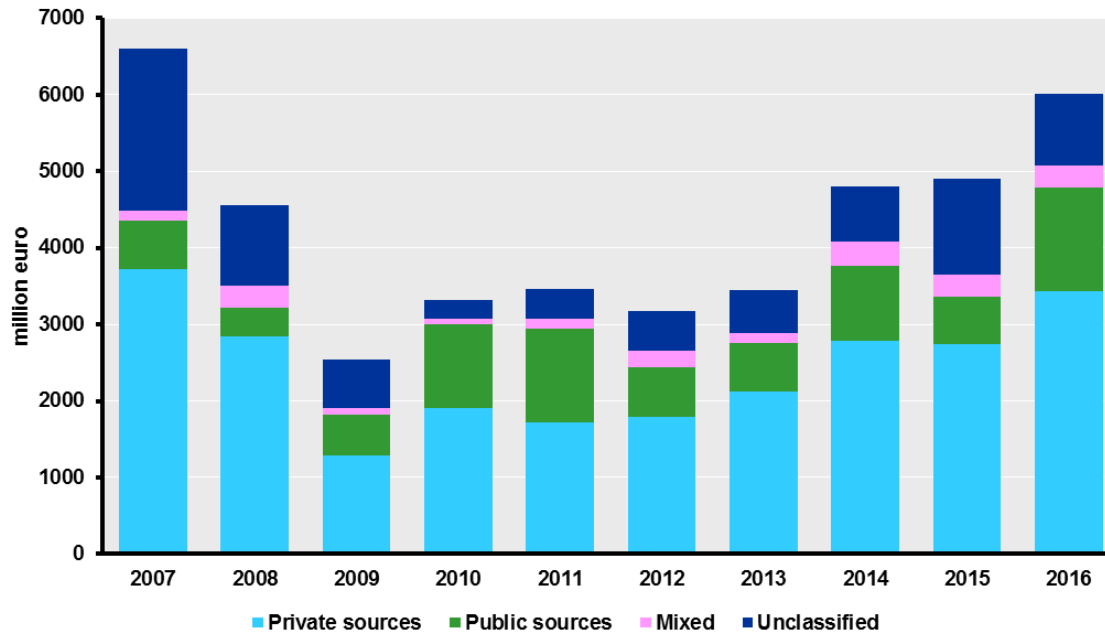
In addition, the European venture capital market remains underdeveloped and access to scale-up capital has decreased...

Venture Capital (market statistics) by stage as % of GDP, 2007 and 2016⁽¹⁾



... and private VC is volatile, underlying the importance of public VC in the EU market.

Venture Capital in the EU⁽¹⁾ - new funds raised by source (million euro), 2007-2016



Overall, remaining rigidities in the markets have favoured the rise of zombie firms after the crisis, locking-in significant resources.

