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## Fall-off in venture capital hurting innovation, warns OECD

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A dramatic decline in the availability of venture capital is stifling innovative start-up companies and damaging long-term growth prospects, according to the Organisation for Economic Co-operation and Development (OECD).

Andrew Wyckoff, deputy director for science, technology and industry at the OECD, said there had been a 60% drop in venture capital in the first quarter of 2009 compared with the first quarter of 2008.

"Anecdotal evidence suggests there are few signs that available venture capital is picking up. This hurts young start-ups and spin-off companies. But it also reduces the competitive pressures on larger companies, which normally encourage them to innovate," he said.

Speaking at a meeting hosted by the Lisbon Council, a Brussels-based think-tank specialising in innovation and growth, Wyckoff said all the available indicators suggest that risk-taking has fallen significantly.

He said innovation suffers during economic downturns and, historically, the number of new patents and trademarks plummets. "This is what we're seeing now. Patents and trademarks are down and risk aversion is kicking in," he said.

The OECD is working on a new innovation agenda which it expects to publish in June 2010. A draft version will be available for discussion by the end of this year.

Wyckoff said human resources would be central to the future of innovation and this would be reflected in the OECD's report. "If you want to move to a more innovative society where change is easier, you have to look not just at education but at labour markets which facilitate mobility."

He said intellectual property, public policy conditions, open markets and creating the right climate for investment would be central features of the report.

Dirk Pilat, who heads the structural policy division at the OECD's directorate for science, technology and industry, said current thinking on innovation is out of date. "Our growth path before the crisis was not sustainable. A lot of the impact of ICT was petering out even before the financial crisis struck. We want to make future growth stronger and greener," he said.

He said 43% of global R&D growth now comes from outside of the OECD. "The relative contribution of the EU and US to global growth has fallen and we are now seeing China, Japan and others increasing their R&D."

Markets for innovation will be crucial in determining broad priorities for the future, according to Pilat, who said finding the "right price" for carbon would help attract investment.

### Links

European Union

- European Commission: [Better access to finance](#)
- European Commission: [More risk capital](#)
- European Investment Bank: [EIB and EIF resources for venture capital](#)
- [European Year of Creativity & Innovation](#)

#### Think-Tanks

- [Organisation for Economic Cooperation and Development](#)
- [Lisbon Council](#)

#### Industry Federations

- [European Venture Capital Association](#)

#### Press articles

- [EurActiv.sk: OECD: Prepad rizikového kapitálu brzdí inovácie](#)