The new generation of Horizon 2020 financial instruments
New EU Framework Programme for R&I (2014-20)

1) A core part of Europe 2020, Innovation Union & European Research Area:
   – Responding to the economic crisis to invest in future jobs and growth
   – Addressing people’s concerns about their livelihoods, safety and environment
   – Strengthening the EU’s global position in research, innovation and technology

2) A single programme bringing together three separate programmes/initiatives(*)

3) €79 billion (current price) for 3 main priorities:
   Excellent science
   Industrial Leadership
   Societal Challenges

4) Emphasis on innovation; Strong focus on SMEs; R&I as critical vector for growth and jobs

(*) The 7th Research Framework Programme (FP7), innovation aspects of Competitiveness and Innovation Framework Programme (CIP), EU contribution to the European Institute of Innovation and Technology (EIT)
Horizon 2020 - Industrial Leadership Priority

Because:

- Strategic investments in key technologies (e.g. advanced manufacturing, micro-electronics) underpin innovation across existing and emerging sectors.

- Europe needs to attract more private investment in research and innovation

- Europe needs more innovative small and medium-sized enterprises (SMEs) to create growth and jobs
Access to Risk Finance Programme

- The most important EU programme ever to support debt and equity investments in R&I (twice FP7 Debt FI budget)
- At least 1/3 of the budget to support innovative/RDI-driven SMEs

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<tr>
<th></th>
<th>2013</th>
<th>2011</th>
<th>2009</th>
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<tr>
<td>Finding customers</td>
<td>22</td>
<td>19</td>
<td>24</td>
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<td>Access to finance</td>
<td>15</td>
<td>15</td>
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<td>Availability of skilled staff or experienced managers</td>
<td>14</td>
<td>14</td>
<td>10</td>
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<tr>
<td>Regulation</td>
<td>5</td>
<td>8</td>
<td>14</td>
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<tr>
<td>Competition</td>
<td>10</td>
<td>8</td>
<td>14</td>
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<tr>
<td>Costs of production or labour</td>
<td>13</td>
<td>12</td>
<td>8</td>
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<tr>
<td>Other</td>
<td>5</td>
<td>7</td>
<td>10</td>
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<tr>
<td>DK/NA</td>
<td>0</td>
<td>10</td>
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1) What support will be on offer?
   - Risk-sharing in the form of loans and guarantees
   - Risk finance in the form of equity

2) For who or what?
   - RDI-driven/innovative SMEs & small midcaps
   - Ambitious RDI projects carried out by a variety of recipients (companies, stand-alone projects etc.)

3) To serve which purpose?
   - Stimulate more investment in research and innovation, notably by the private sector
   - No market distortion: intervention only to address financing gaps in the R&D&I delivery chain (notably due to high risk), and as such help translate R&D results to the market (/innovation)
New Generation of Debt and Equity Instruments

- Succeeding FP7 debt (RSFF, RSI) and CIP early stage equity (GIF1) FI
- But more ambitious, in size (almost €3 billion) and in scope (from early stage to expansion/growth stage)
- Part of the Horizon 2020 "Access to Risk Finance" programme (Industrial Leadership priority)
- Implemented by a Delegation Agreement between the EU and the EIB Group (EIB and EIF), on the basis of a partnership based on experience, trust and professionalism where:
  - EIB and EIF act as EU Entrusted Entities
  - EIB Group is matching EU financial contribution
  - EU and EIB Group are risk-sharing partners
New Horizon 2020 Delegation Agreement

Signature on 12/06/2014 in Athens by
EU Commissioner Geoghegan-Quinn (centre)
EIB VP de Fontaine Vive (left) and EIF CEO Mr. Gilibert (right)
# InnovFin Product Overview

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<th>SMEs</th>
<th>Mid-Caps</th>
<th>Large Caps</th>
<th>Advisory</th>
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<td><strong>InnovFin</strong></td>
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<td>MidCap Guarantee</td>
<td>Large Projects</td>
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<td>MidCap Growth Finance</td>
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**direct products**

**indirect products**

Until 2020, EU will contribute close to EUR 3bn as a risk buffer to InnovFin. EIB Group commits the same amount.

This will result in total debt financing of > EUR 24bn, of which > EUR 5.5bn to SMEs and small MidCaps.

The overall economic impact in terms of investment in Research & Innovation in Europe over the next 7 years will EUR 48bn.

Expected number of transactions: ca. 300 (of which ca. 110 direct operations with midcaps).
## InnovFin Product Overview

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**direct products**

**indirect products**
Enhancing a successful pilot initiative

**InnovFin SME Guarantee**

- Based on RSI pilot guarantee scheme under RSFF - managed by EIF - to improve access to debt finance of innovative SMEs and Small Mid-Caps (< 500 FTEs): deployed in 18 countries by 36 financial intermediaries.

- EIF will provide guarantees and counter-guarantees to selected financial intermediaries, thus allowing them to provide loans, financial leases and loan guarantees to innovative SMEs and Small Mid-Caps with reduced risk and regulatory capital consumption.

- **InnovFin SME Guarantee** will boost by almost 4 times the RSI initiative, therefore enabling to provide an amount of EUR 9 to 10 billion of financing to benefit innovative SMEs and Small Mid-Caps over the next 9 years.

- Within the upcoming days, EIF will publish a Call for Expression of Interest to which interested financial intermediaries across Europe are invited to apply.
InnovFin Products for MidCaps

InnovFin
MidCap Guarantee

- Rolled out through financial intermediaries. Financial intermediaries will be guaranteed against a portion of their potential losses by the EIB.
- Guarantees and counter-guarantees on debt financing < €50 million
- For innovative midcaps (< 3000 FTEs) which are not eligible under the InnovFin SME Guarantee

InnovFin
MidCap Growth Finance

- Direct long term senior, subordinated or mezzanine loans from EIB
- Amount between €7.5 million < €25 million
- For innovative midcaps (< 3000 FTEs), but also SMEs and small midcaps
- First InnovFin MidCap Growth Finance transaction with Rovio (EUR 25 million facility to support Rovio’s technological innovations in various entertainment sectors.)
InnovFin
Large Projects

- Delivers direct loans and guarantees from EIB for larger projects
- Loan amount between EUR 25-300 million
- For R&I projects emanating from larger firms; universities and public research organisations; R&I infrastructures (including innovation-enabling infrastructures); public-private partnerships; and special-purpose vehicles or projects (including those promoting first-of-a-kind, commercial-scale industrial demonstration projects)
- First InnovFin Large Projects transaction with Belgian biopharmaceutical company UCB to provide “at-risk co-development funding” of €75 million for the development of selected UCB compounds.
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<th>Horizontal activities</th>
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<td>• Improve the bankability and investment readiness of large, complex R&amp;I projects</td>
<td>• Improve framework conditions for access to finance (web-based portal, criteria notes,…)</td>
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<td>• Advise specific public-private consortia, R&amp;I driven companies (midcaps or larger), Joint Technology Initiatives, PPPs, R&amp;I clusters, EC and MS</td>
<td>• Prepare studies to improve effectiveness of H2020 FI to address specific sectors/R&amp;I projects needs</td>
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<td>• Develop “business case” for new financing mechanisms to support specific R&amp;I policy objectives</td>
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Roundtable: How can we support innovative companies in the region?