



EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	MIUR RDI PROGRAMME LOAN
<u>Promoter or financial intermediary</u>	REPUBBLICA ITALIANA
<u>Country of implementation</u>	Italy
<u>Summary project description</u>	<p>The operation consists of a Programme to finance new research and innovation projects mainly located in South of Italy, through a combination of European Structural and Investment Funds ("ESIF"), EIB financing and other resources. The Programme will be deployed by (i) blending such resources into an Investment Platform through Investment Loans ("ILs"), partially guaranteed by Cassa Depositi e Prestiti ("CDP"), the Italian national promotional bank, and (ii) granting Multiple Beneficiary Intermediated Loans ("MBILs") dedicated to innovation and other eligible SME and Midcaps activities, to a number of financial intermediaries.</p> <p>In December 2016, the EIB signed a Funding Agreement ("FA") with the Italian Ministry of Education, University and Research ("MIUR") for the set-up of a Fund of Funds ("FoF") for the financing of research and innovation ("RDI") projects in South Italy ("Target Regions" - Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna and Sicilia). The FoF had an initial size of EUR 200 million and is exclusively financed by ESIF, contributed by MIUR from its 2014-2020 Research & Innovation National Operating Programme.</p> <p>The FA foresees that the origination, appraisal and financing of RDI projects is performed by a number of financial intermediaries, selected by the EIB through a public procurement process in accordance with applicable procedures (the "Selected Intermediaries"). The Selected Intermediaries have to co-finance the RDI projects on a case-by-case basis with own funds, alongside the FoF resources. This, in order to reach a minimum leverage target over public funds contributed to the FoF and ensure alignment of interest.</p> <p>The FoF's Investment Strategy targets RDI projects, promoted by private and public entities, including corporates of all sizes, universities, hospitals and research centres. Particular emphasis will be given to early-</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision. Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under the articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

	<p>stage/expansion/growth phase projects and Key Enabling Technologies (“KETs”).</p> <p>Size and structure of the FoF have been designed in accordance with the ex-ante evaluation study (the “Ex-ante analysis”) finalised in June 2016. The Ex-ante is a requirement under Article 37(2) of the EU Common Provision Regulation on ESIF to ensure that decentralized financial instruments implementation decisions are demand-driven and based on actual market needs.</p> <p>MIUR and EIB have also agreed to assess additional forms of cooperation, including a possible contribution of EIB own resources, in order to reinforce the impact of the initiative and multiply the public funds contributed to the FoF by crowding-in additional private capital. This is also a result of the Ex-ante analysis findings, which estimated a financing gap in the Target Regions of some EUR 5 billion for RDI investments over the period 2016-2023.</p> <p>For this reason, and in the context of the enhanced cooperation with national promotional banks, the EIB has started discussions with CDP, to find a common approach to co-finance the FoF initiative with the aim of providing additional funding. The aim is to cover the identified investment gap and increase leverage over scarce public funds, in particular for larger sub-projects, where a combination of different funding sources could bring additional value.</p> <p>As a result, under the auspices of MIUR, the EIB and CDP have agreed to develop an Investment Platform (the “IP”) to support a greater number of RDI investments through the contribution of own resources (by means of a number of ILs).</p> <p>Under the IP, the EIB will provide ILs directly to final recipients to increase the total investment size of the RDI portfolio that the Selected Intermediaries will originate under the MIUR FoF initiative. The EIB will bear a direct risk on the final beneficiaries and retain full discretion on its financing decisions. The origination and initial appraisal of the RDI sub-projects will be performed by dedicated investment teams of the Selected Intermediaries.</p> <p>The EIB ILs will be guaranteed by CDP for up to 50%. The EIB funding will be complemented by the co-financing provided by the Selected Intermediaries, in addition to ESIF contributions from the FoF. Under the IP, the majority of final beneficiaries are expected to be private entities (corporates). Notwithstanding the partial CDP guarantee, EIB exposure under the IP is expected to belong to Special Activities territory.</p> <p>In parallel to the participation in the IP, the EIB will grant to the Selected Intermediaries up to EUR 200 million in Multiple Beneficiaries Intermediated Loans (MBILs).</p> <p>At least EUR 100m of these MBILs will target the financing of RDI projects (including those benefitting from ESIF support under the MIUR FoF), promoted by eligible SMEs, Mid-Caps and local authorities; the remaining part (no more than EUR 100m) may be used to finance other eligible SME and Midcaps activities.</p> <p>The project builds on the EIB expertise accrued in the fields of (i) ESIF funded financial instruments and (ii) innovative Investment Platform structures. It will be one of the first IPs combining ESIF and EIB own resources under Special Activities.</p>
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PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
EIB Cohesion Priority Regions / Economic and Social Cohesion	75.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Research, development and innovation	50.00%
Projects that are in line with Horizon 2020	40.00%
Other research, development and innovation	10.00%
EFSI: Financial support through the EIF and the EIB to entities having up to 3 000 employees	50.00%
Provision of risk financing from seed to expansion stages for SMEs, start ups, small mid cap companies and mid cap companies, to ensure technological leadership in innovative and sustainable sectors	50.00%

Pillar 2

Quality and soundness of the project	Good
1. Capacity and soundness of the Intermediary and quality of the operating environment	[...]
2. Increasing access to finance and improving financing conditions including for final beneficiaries	[...]
3. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of four indicators which include:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;*
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;*
- (iii) "Sustainability" i.e. environmental and social sustainability²;*
- (iv) "Employment" i.e. the project's direct employment effect.*

Pillar 3

EIB Technical and financial contribution to the project	High
1. Financial contribution	[...]
2. Financial facilitation	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor),*
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments,*
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer – provided in-house by the EIB or in the form of assignments to external consultants – to facilitate the preparation or implementation of a project.*

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 – Complementary indicators

Additionality

The project, composed inter alia of an IP in collaboration with Italy's CDP, will support RDI investments in various sectors in EU cohesion regions in Southern Italy.

The platform will contribute to EU and EFSI RDI objectives, notably via projects strengthening research, technological development and innovation which are in line with Europe 2020 and Horizon 2020 objectives. The IP will target RDI in key economic sectors such as aerospace, agrifood, blue growth, green chemistry, energy, sustainable mobility, design, health, KETs and environmental technologies.

This operation responds to an important sub-optimal investment situation for RDI in the South of Italy. RDI is a key driver for economic growth and development. Yet, Italy's southern regions suffer from a gap in RDI long-term financing and venture capital estimated at EUR 5bn up to 2023. Local financial operators are averse to funding RDI projects due to the perceived high risks. This market failure limits the functioning of the Italian "innovation system", even in presence of project ideas with high potential. In addition, the SME/midcap sector in Italy faces structural financing gaps, even more severe than in other EU countries. This EFSI-supported IP has been designed to address these significant investment gaps by offering lending dedicated to RDI projects in adequate volume, terms and conditions.

Under the IP, the portion of operations not guaranteed by CDP will fall under EIB's Special Activities; hence, the EIB would not be able to support such portion without EFSI-backing. It has to be noted that EFSI support will be complementary in the IP to ESIF, the platform being one of the first combining EFSI and ESIF for the RDI sector.

Beside public resources (ESIF, EFSI and CDP guarantee), the platform will enable and facilitate the crowding-in of additional private resources from the Selected Intermediaries and interested investors, added to own investment by the project promoters themselves.

The Investment Platform, by channeling appropriate funding, will also have important positive impacts for employment, notably youth employment and highly skilled employment, alleviating brain drain in the targeted regions (unemployment rates in some regions can exceed 20%).

The project has been possible thanks to the Bank's expertise, from the ex-ante market assessment to the platform set-up, including legal advice and expertise in financial instruments, and is expected to obtain adequate leveraging of private and public funds. The platform may also lead to the establishment of other ESIF-EFSI platforms in other sectors and EU regions.

Set of indicators related to the macroeconomic environment

Italy - Economic environment

Economic Performance

	IT	EU	US	IT
	2016	2016	2016	2001-2007
GDP per capita (EUR, PPS)	28,097	29,440	42,615	31,501
GDP growth (%)	0.88	1.9	1.6	1.2
Potential GDP growth (%)	-0.33	1.3	2.1	1.1
Output gap (% of potential GDP)	-1.7	-0.75	-0.03	1.3
Unemployment Rate (%)	11.8	8.2	4.7	7.6
Unemployment Rate (%) - Y/Y change (% points)	0.2	-0.8	-0.3	-0.44
Bank-interest rates to non-financial corporations (%)	1.1	1.4	1.8	3.8
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.33	-0.21	-1.4	0.02
Investment rate (GFCF as % of GDP) - Total	17.0	19.7	19.6	21.1
Investment rate (GFCF as % of GDP) - Public	2.1	2.7	3.4	2.9
Investment rate (GFCF as % of GDP) - Private	14.9	17.0	16.2	18.2

Research, development and innovation

	2013	2014	2015	2016	EU (latest available)
Gross domestic expenditure on R&D (GERD) (% of GDP)	1.3	1.4	1.3	--	2.0
Gross domestic expenditure on R&D (GERD) distance to EU 2020 target (% of GDP)	0.22	0.15	0.2	--	0.97
Research and development expenditure - Government (% of GDP)	0.18	0.18	0.18	--	0.24
Research and development expenditure - Higher education (% of GDP)	0.37	0.39	0.38	--	0.47
Research and development expenditure - Business (% of GDP)	0.72	0.76	0.74	--	1.3
Research and development expenditure - Private non-profit sector (% of GDP)	0.04	0.04	0.04	--	0.02
Eco-innovation index (EU =100)	95.0	99.0	106.0	--	100.0

SME/midcap

	2013	2014	2015	2016	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	44.1	45.5	26.5	24.4	20.9
Availability of Private equity (Thousand euro)	3,106,978	2,865,297	3,115,079	5,793,285	50,091,574
Availability of Venture Capital (Thousand euro)	75,044	39,922	71,744	87,547	4,035,807

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial corporations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics

	Expected at PCR
EIB/EFSI eligible investment mobilised	320.00 MEUR
External EFSI multiplier	6.40
External EIB (non-EFSI) multiplier	2.10
Amount of private financing	480.00 MEUR
Sum of number of employees of all final beneficiaries (no additionality) (Relative to the SME/Mid-Cap share)	30,000
Allocation volume dedicated to SME/Mid-Caps	50.00 %
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	0.00 MEUR

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report.