



# Horizon 2020: Access to Risk Finance & support to innovative SMEs

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## Barriers to Innovation & Growth

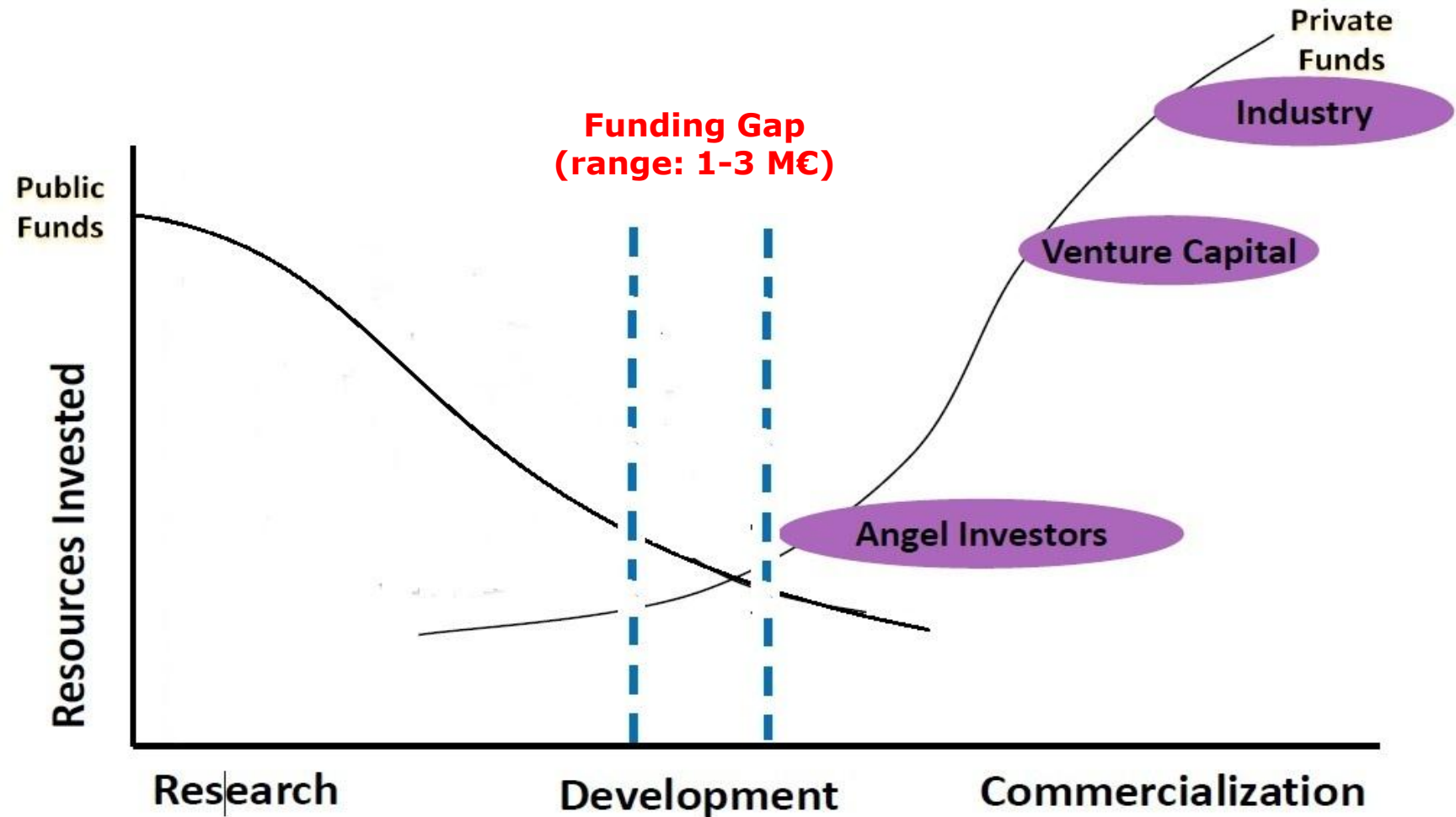
- Inadequate Access to Finance (additionality of public support)
- Inadequate Access to Skills / Knowledge (// innovation management capacity)
- Weakness in Networking and Cooperation with External Partners (Open Innovation)
- Lack of Internationalisation

# Breakthrough Innovation and the Valley of Death



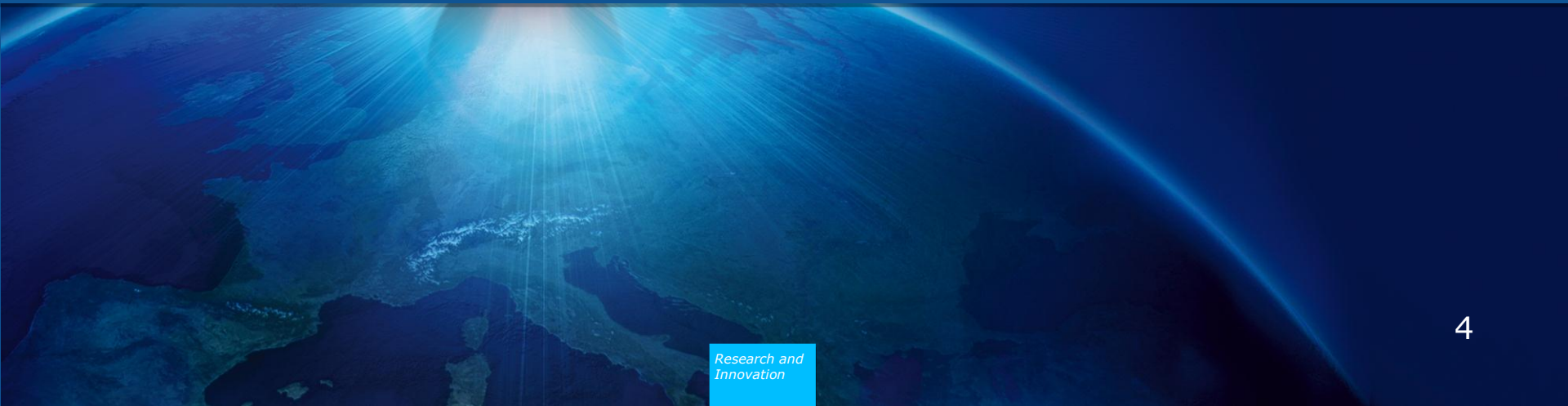
University

Small  
Business





# SME support in Horizon 2020: SME Instrument





Phase 3+coaching → 2% budget

## Phase 1: Concept and feasibility assessment

**Input:** Idea/Concept: "Business Plan 1" (~ 10 pages)  
**10% budget**

### Activities:

Feasibility of concept  
Risk assessment  
IP regime  
Partner search  
Design study  
Pilot application  
etc.

10% success

**Output:** elaborated "Business plan 2"

Lump sum: 50.000 €  
~ 6 months

## Phase 2: R&D, demonstration, market replication

**Input:** "Business plan 2" plus description of activities under Phase 2 (~ 30 pages)  
**88% budget**

### Activities:

Development, prototyping, testing, piloting, miniaturisation, scaling-up, market replication, research

30-50% success

**Output:** "investor-ready Business plan 3"

0.5-2.5 M€ EC funding  
~ 12 to 24 months

## Phase 3: Commercialisation

Promote instrument as quality label for successful projects  
Facilitate access to private finance

Support via networking, training, information, addressing i.a. IP management, knowledge sharing, dissemination

SME window in the EU financial facilities (debt facility and equity facility)

Possible connection to Procurement

- Targeted at all types of innovative SMEs showing a strong ambition to develop, grow and internationalise
- Only SMEs will be allowed to apply for funding and support
- Single company support possible
- No obligation for applicants to sequentially cover all three phases; each phase open to all SMEs
- 70% funding (exceptions possible)
- Roughly EUR 3 billion in grant support + access to exclusive innovation support

# Expected demand

Phase 1: fixed lump sum of 50 k€

Phase 2: assumed average project size 1.5 M€

↓ Over 7 years:

- 5,200 Phase 1 projects will be funded ---)10%-15% success rate
- 1,700 Phase 2 projects with an average size of 1.5 M€ can be funded (or 2550 of an average size of 1 M€, 1250 of an average size of 2 M€)



# Access to Risk Finance In Horizon 2020





## Scope and Rational

- **Goal: Stimulate more investment in research and innovation**, notably by the private sector
- **Leverage effect:** to attract additional finance and multiply HORIZON 2020 budget resources
- **Addressing financing gaps:** Intervention only if there are financing gaps in the R&I delivery chain (e.g., due to high risk)
- **Building a bridge from R&D to Innovation**

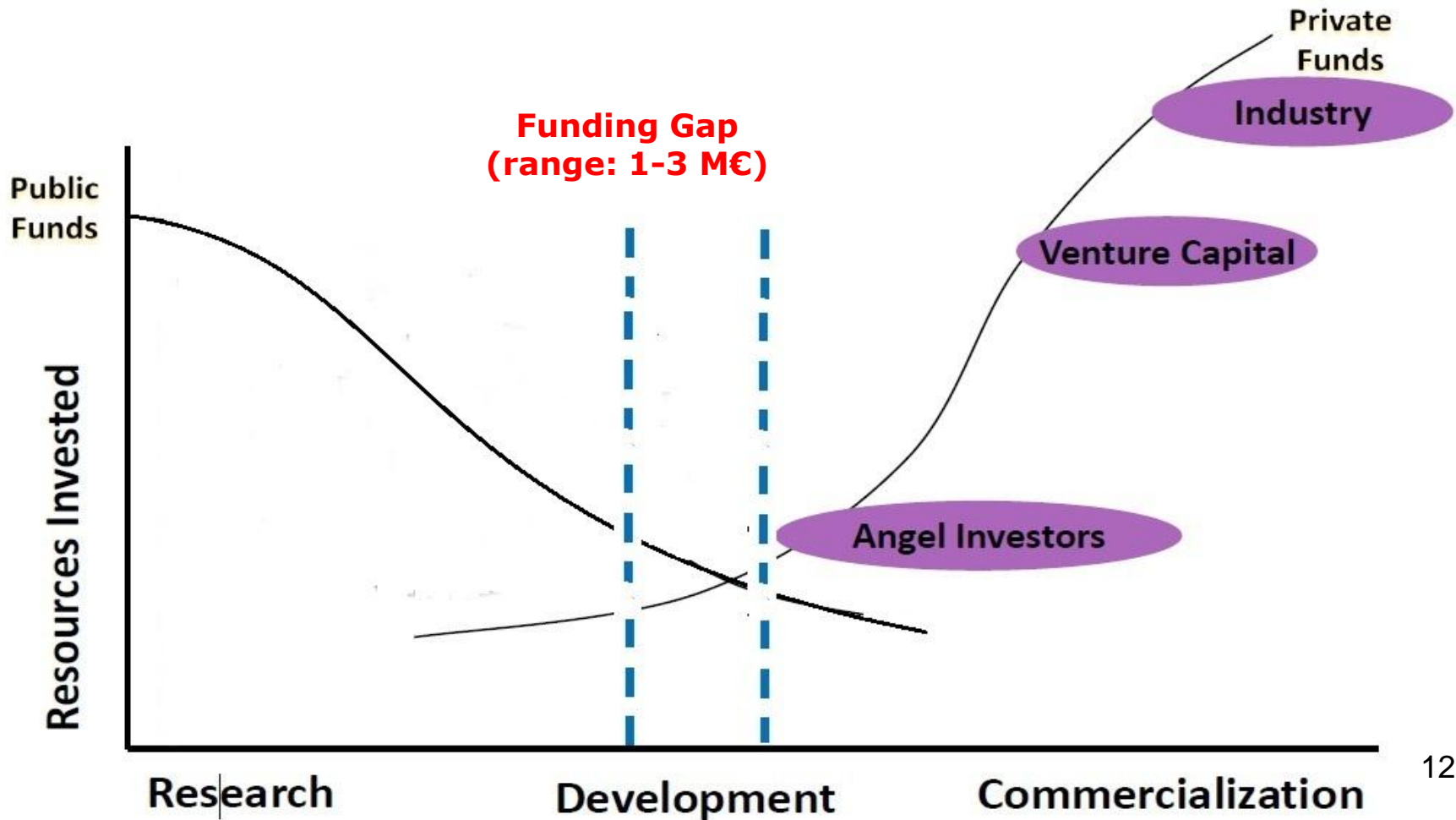
## Principles of Implementation

- ❑ Continue and refine **proven facilities** that have supported R&I in 2007-2013: **debt (RSFF, RSI), equity (GIF-1)**
- ❑ Continue to run facilities in a **demand-driven way**(no earmarking; "**first come, first served**"), coupled with targeted awareness-raising
- ❑ As now, implementation via **entrusted entities (EIB/EIF/other IFIs)** (NB: exploratory talks with other financial institutions)
- ❑ As before, selected **financial intermediaries** after **open calls for expressions of interest** launched by entrusted entities
- ❑ **Complementarity** with grants & other FIs in particular **COSME**

# Horizon-2020 Access to Risk Finance: Budget

- ❑ Part of the Horizon 2020 budget (**3.69%**) will usually not be provided through grant funding but
  - **a Debt Facility:** risk-sharing for loans and guarantees
  - **an Equity Facility:** providing risk finance
  - **Accompanying measures**
  
- ❑ **Around EUR 2.7 billion in total** (current price, net of administrative costs) for market-driven financial instruments
  
- ❑ At least 1/3 of the budget shall support **RDI-driven SMEs and small midcaps**
  
- ❑ **Possible Top-up budget**, from other parts of Horizon 2020 or the Multiannual Financial Framework, for policy-driven financing facilities addressing specific policy needs (i.e. the SET Plan implementation)

# Breakthrough Innovation and the Valley of Death





## Equity Finance

- ❑ **Early stage finance** for innovative enterprises (notably seed and start-up companies); limited growth-stage finance also possible together with COSME; indirect implementation (i.e. via VC funds mainly) / ("**GIF 1.2**") [*budget 2014-2015: around €75 million(\*)*]
- ❑ **Pilot facility for technology transfer** (*under development*) to bring R&D results from public research organisations and universities to the market (licensing; creation of spin-off companies) ("**TTFF**") [*budget 2015; around €60 million(\*)*]
- ❑ **Piloting Co-Investments by Business Angels** in Innovative ICT Firms [*budget 2015; around €30 million(\*)*]

*(\*) subject to budget availability / final allocation decision*



## Debt Finance

### ❑ **Loans Service for R&I ("RSFF II"):**

Loans and guarantees for investments in R&I ;

targeted at midcaps, larger companies, research institutes, stand-alone projects, PPPs, other entities; particular approach for innovative midcaps;

loan amounts above EUR 7.5 million ; direct and indirect implementation. *[budget 2014-2015: around €200 million (\*)]*

### ❑ **SME & small midcaps R&I Loans Service ("RSI II"):**

Loan guarantee facility for loans to research-intensive and innovative SMEs & small midcaps;

loan amounts between EUR 25,000 to 7.5 million ; indirect implementation (banks; guarantee societies ; ...) *[budget 2014-2015: around €160 million (\*)]*

### ❑ **Joint Guarantee Instruments** *for R&I-intensive SMEs and Small Midcaps ("SME Initiative") (ESIF-COSME-H2020) (2014-2016) (up to €60 million / year) [TBC]*



European  
Commission

# FP7 RSI Results

## Access to Debt

# FP7: More than €1.2 billion in guarantees

As of 31-December-13

#	RSI - Financial Intermediary Names	Country	Guarantee Amount (EUR m)	Signature date
1	Unicredit Bank Austria	Austria	60.0	03-Oct-12
2	Ceska Sportelna (Erste)	Czech Republic	45.0	08-Nov-12
3	ABN Am ro	Netherlands	60.0	26-Nov-12
4	Bankinter	Spain	60.0	27-Nov-12
5	AIB	Ireland	40.0	28-Nov-12
6	Banco Popolare (joint application - 2 FIs)	Italy	60.0	07-Dec-12
7	Cassa Di Risparmio di Cento	Italy	20.0	07-Dec-12
8	Deutsche Bank	Germany	60.0	23-Jan-13
9	Komerční banka	Czech Republic	50.0	15-Mar-13
10	BPI	Portugal	30.0	17-Apr-13
11	Bank Pekao	Poland	40.0	27-May-13
12	BPCE (joint application - 17 FIs)	France	125.0	24-Jun-13
13	Credito Valtellinese Group (joint application - 4 FIs)	Italy	50	24-Jul-13
14	Raiffeisen Leasing Polska	Poland	30	31-Jul-13
15	Halkbank	Turkey	50	17-Sep-13
16	Bpifrance financement	France	80	25-Sep-13
17	Sparbanken Öresund AB	Sweden	17.5	09-Oct-13
18	Bankinter (increase)	Spain	20	15-Oct-13
19	Alba Leasing	Italy	60	17-Oct-13
20	BES	Portugal	80	24-Oct-13
21	Deutsche Bank PBC	Poland	25	29-Oct-13
22	FiBank	Bulgaria	7.5	08-Nov-13
23	BPI increase	Portugal	50	18-Nov-13
24	IKB Leasing	Hungary	25	26-Nov-13
25	Unicredit Bank Austria (increase)	Austria	20	06-Dec-13
26	Komerční banka increase	Czech Republic	30	06-Dec-13
27	AWS (counter-guarantee)	Austria	11.5	13-Dec-13

Total Signed

Research and  
Innovation

1206.5

#	Countries covered*
1	Austria
2	Czech Republic
3	Germany
4	Ireland
5	Italy
6	Netherlands
7	Poland
8	Portugal
9	Spain
10	Turkey
11	France
12	Sweden
13	Hungary
14	Bulgaria
15	Slovakia
16	Croatia
17	Estonia
18	Denmark
19	Switzerland

\* including applications in process

**Regular update on EIF's Website:**  
[http://www.eif.org/what\\_we\\_do/guarantees/RSI/Rsi\\_intermediaries.htm](http://www.eif.org/what_we_do/guarantees/RSI/Rsi_intermediaries.htm)



# Which contacts for companies?

## DEBT

## EQUITY

### RSFF II

Mainly Midcaps and large corporates\*

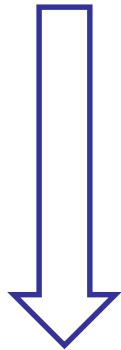
SMEs/Midcaps:  
Loan < €25 m



**EIB**



**Financial intermediary\***



**EIB**

### RSI II

SMEs and small midcaps



**EIF**



**Financial intermediary\***

### GIF 1.2

SMEs and small midcaps



**EIF**



**Financial intermediary \*\***

\*Bank or a financial institution selected on the basis of the call for expression of interest that signed an agreement with the EIF

\*\*Fund selected on the basis of a call of expression of interest that signed an agreement with the EIF

\*All entities will be eligible also PPPs, universities, research infrastructures, etc, provided they can borrow money



# Accompanying measures

## ▪ Expertise

- ❑ **Technical assistance** [Named beneficiary(EIB) – 2014 – 4 years - €16 million for 2014-2017(\*)]
- ❑ **Assessing the Investment Potential of SMEs Emerging from Phase I of the SME Instrument** (starting in 2014/2015)

## ▪ Studies

- ❑ **Understanding the Nature and Impact of Angel and Crowd-Funding in R&I** [2014 – €0.75 million (\*)]
- ❑ **Assessing the Potential for EU Investment in Venture Capital Funds-of-Funds** [2014 – €0.27 million (\*)]

- **Greek Presidency Conference on financial instruments** [June 2014 – €0.1 million (\*)]

## Calls for Proposals / Grants (2014)

- **Capacity-Building in Technology Transfer (CBTT 1)** [CSA – 15/4/2014 – €2.5 million (\*)]
  - ❑ Increasing the skills-base
  - ❑ Spreading best practices and tacit knowledge
  - ❑ Strong emphasis on mentoring, coaching, twinning, secondments
  - ❑ Complements Technology Transfer Financing Pilot
- **Boosting Investment-Readiness of SMEs and Small Midcaps (BIR 1)** [CSA – 15/4/2014 – €2.5 million (\*)]
  - ❑ Addresses 'investment readiness' of SMEs and small midcaps
  - ❑ Builds on FP7 experience
  - ❑ Strong emphasis on both training entrepreneurs and sensitising potential investors
  - ❑ Complements Investment Potential of SMEs expertise measure

*(\*) subject to budget availability / final allocation decision*

## Links to other EU programmes: COSME

*Horizon 2020 and COSME are complementary programmes to generate growth and jobs*

### **Different focus:**

- Horizon 2020 = innovation-driven growth
- COSME = support to create favourable business environment and competitiveness

### **Closely coordinated with for instance:**

- Complementary financial instruments (debt and equity), with facilities in both programmes serving complementary objectives
- Enterprise Europe Network set up under COSME, but support to SMEs in terms of advice on EU funding



# More Information, and Action!



HORIZON 2020



## ▪ Horizon 2020

- ❑ <http://ec.europa.eu/programmes/horizon2020/en/area/smes>
- ❑ <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/access-risk-finance>
- ❑ <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/innovation-smes>

## ▪ SME Techweb – [http://ec.europa.eu/research/sme-techweb/index\\_en.cfm](http://ec.europa.eu/research/sme-techweb/index_en.cfm)

## ▪ Financial Instruments

- ❑ **RSFF**  
<http://www.eib.org/products/rsff/>
- ❑ **RSI**  
[www.eif.org/what\\_we\\_do/guarantees/RSI/index.htm](http://www.eif.org/what_we_do/guarantees/RSI/index.htm)

## ▪ EU Access to Finance - [www.europa.eu/youreurope/business/index\\_en.htm](http://www.europa.eu/youreurope/business/index_en.htm)



- **Participant Portal:**  
[http://ec.europa.eu/research/participants/portal/desktop/en/funding/sme\\_participation.html](http://ec.europa.eu/research/participants/portal/desktop/en/funding/sme_participation.html)
  - Calls for proposals**
  - Horizon 2020 documents**
  - Support services**
  - Evaluation experts**

The screenshot shows the 'SME Participation' page on the European Commission website. The navigation bar includes 'HOME', 'FUNDING OPPORTUNITIES', 'HOW TO PARTICIPATE', 'EXPERTS', and 'SUPPORT'. A sidebar on the left contains links to 'H2020 Online Manual', 'Reference Documents', 'Beneficiary Register', 'Financial Capacity Self-Check', and 'SME Participation'. The main content area is titled 'SME Participation' and includes a section for 'SME Instrument' with a detailed description and three phases: Phase I (proof-of-concept), Phase II (development & demonstration), and Phase III (go-to-market). Below this are sections for 'Collaborative Projects (SME + partners)' and 'Access to Debt and Equity Financing', each with an 'APPLY' button. At the bottom, there is a 'Support to SME' section with a description of personalized advice and guidance.



# HORIZON 2020

**Thank you  
for your attention!**

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# Background slides:

# Midcaps



## *parenthesis* **How do we define 'midcaps'?**

### ❖ **small midcaps** *working definition*

- **250 to 499 employees in full-time equivalents**

### ❖ **medium & large midcaps** *working definition*

- **500 to 3000 employees in full-time equivalents**

## **facts on 'innovative midcaps'** *PWC report*

- **NACE-based definition used – autumn 2012 data**
- **ca. 28 000, of which half bringing innovations to market**
- **these 'active innovators' employ over 9 mn people**
- **Germany, UK, France ... Austria, Belgium, Spain, Sweden**
- **most are small midcaps, but the most demand for finance comes from medium & large midcaps**

# Background slides:

## State of play of RSI (Risk-Sharing Instrument) pilot under FP7

# SMEs and Small Midcaps

## Who or what is eligible for a loan?

- Loan is for **investments in R&I with significant technology or application risk**  
**or**
- Loan is to a **"fast-growing" R&I-driven enterprise**  
(meaning >20% p.a. in growth or employees over last 3 years)  
**or**
- Loan is to an **"enterprise with significant R&I potential"** —  
which means what, practically?
  - ❖ **Catalogue of criteria — just one must be met (below)...**

**\* Actual criteria, subject to fine-tune**

## ***"Enterprise with significant R&I potential"***

- Expenditure in **innovation in last balance-sheet is at least 20%** of loan volume
- At least **90% of loan is earmarked in business plan** over next 2 years for R&I expenses or investment
- Firm awarded **grants, loans or guarantees from EU or national R&I support schemes** within last 2 years
- Firm awarded an **innovation prize** within last 2 years
- Firm registered a **patent** within last 2 years
- Firm has been invested in by **high-tech VC fund**
- Firm is based in **science, technology or innovation park**
- Firm received **tax benefits linked to R&I** investment within last 2 years

## Status of RSI implementation (as of 31/12/2013)

- **47** applications (including **4** increase)
  - **44** for the direct guarantee
  - **3** applications for the counter-guarantee
- **27** guarantee contracts signed
  - covering **14** countries
  - for a total guarantee amount of EUR **1,206** million
- Enabling > EUR 2,5 bn of loans/leases to innovative SMEs and small mid-caps
- **14** guarantee contracts under process (including **5** new countries not yet covered by RSI)

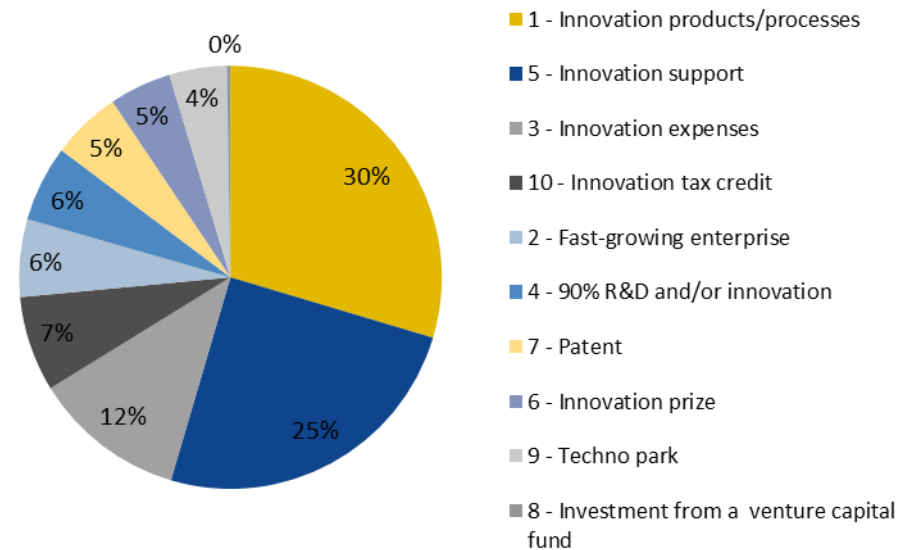
# Supporting “Innovative SMEs and Small Mid-Caps”

As of 31/12/2013

Country	Number of Transactions	Number of SMEs	Committed Amount to Beneficiaries (EUR)
Austria	42	37	45.662.000,00
Czech Republic	135	120	69.763.009,89
France	1	1	50.000,00
Germany	18	18	40.562.000,00
Hungary	10	10	2.468.814,11
Ireland	8	8	9.710.000,00
Italy	38	38	10.910.300,00
Netherlands	16	16	20.900.000,00
Poland	6	6	738.643,73
Portugal	93	92	61.985.000,00
Spain	235	230	112.072.148,24
<b>Grand Total</b>	<b>602</b>	<b>576</b>	<b>374.821.915,97</b>

As of 30/09/2013

## Committed Amount to SMEs per RSI criteria



EUR 650K per company on average

# Background slides:

# Instrument PME

Sur la base de plusieurs enquêtes (EVCA, EIM, NESTA), l'audience-cible est estimée à 200,000 à 1,200,000 PME, soit 1 à 6% de toutes les PME dans l'UE.

Sans limitations, l'attente est de recevoir 10 à 15,000 d'offres sur base annuelle pour la première phase.

Cette quantité sera limitée en cas d'appel d'offres à sujet défini.

## **Mesures afin de réduire le nombre de candidatures:**

1. Seulement une offre par entreprise sera autorisée (pour les deux phases).
2. Ceci signifie qu'il n'y aura pas de possibilité de postuler pour la phase 1 en même temps qu'une mise en candidature pour / l'exécution d'un projet phase 2 et vice versa.
3. Rôle de conseil des réseaux de soutien.
4. PME doivent être encouragées de rentrer dans la phase 1.





1. Évaluation à distance tout au long du processus
2. Suggestion d'abandon des réunions de consensus
3. Des boucles de réaction étendus ("ESRs") décélèrent le processus
4. Des critères d'évaluation axés sur excellence en innovation, potentiel de commercialisation, impact économique et le potentiel de l'entreprise d'obtenir les résultats envisagés.
5. Les profils et les compétences des évaluateurs sont extrêmement importants.