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## **InnovFin: EU Finance for Innovators - Questions and Answers**

### **1. What is InnovFin ?**

Under Horizon 2020, the new EU research programme for 2014-20, the European Commission and the European Investment Bank Group (EIB and EIF) have launched a new generation of financial instruments and advisory services to help innovative firms access finance more easily. Over the next seven years, "InnovFin – EU Finance for Innovators" will offer a range of tailored financial products for research and innovation (R&I) by small, medium and large companies and the promoters of research infrastructures. InnovFin financial products are backed by funds set aside by the EU (under Horizon 2020) and by the EIB Group (from its own resources).

### **2. How much is available under InnovFin?**

For the new programming period (2014-2020), the EU and EIB Group have more than doubled their combined support compared to its predecessor, the Risk-Sharing Finance Facility (2007-2013). It is expected that InnovFin financial products will make available more than EUR 24bn of financing for investments in research and innovation (R&I) by small, medium and large companies and the promoters of research infrastructures. As the EIB normally finances up to 50% of investment costs, InnovFin is expected to support EUR 48bn of final R&I investments.

"InnovFin – EU Finance for Innovators" builds on the success of the Risk-Sharing Finance Facility developed under the seventh EU framework programme for research and technological development (FP7), which financed 114 R&I projects to the tune of EUR 11.3bn and in addition provided loan guarantees worth over EUR 1.4bn.

### **3. Why are the EU and EIB Group supporting innovative companies?**

The EU lags behind its global competitors in terms of both private and public investment in research and innovation. However, innovation is a key ingredient for driving sustainable growth, creating jobs and ensuring Europe's long-term competitiveness. That is why the EIB Group and the European Commission have made it a top priority to facilitate access to finance for innovative businesses in Europe. We are helping to do more with less by mobilising investment from other parties for the benefit of innovation across Europe.

### **4. What are the objectives of InnovFin?**

InnovFin aims to facilitate and accelerate access to finance for innovative businesses and other entities in Europe.

One of the key factors constraining the implementation of R&I activities is the lack of available financing at acceptable terms to innovative businesses since these types of companies or projects deal with complex products and technologies, unproven markets and intangible assets. In order to overcome these difficulties, the EU and the EIB Group have joined forces to provide finance for research and innovation to entities that may otherwise struggle to access financing. We offer financing options tailored to a wide range of clients from small start-ups to large enterprises or public institutions promoting R&I activities.

## 5. What InnovFin products are available and who can benefit from them?

InnovFin financing has been developed as a series of integrated and complementary financing tools, covering the entire value chain of research and innovation investment. All products are demand-driven instruments, provided across all eligible sectors, countries or regions. Firms and other entities located in EU Member States and Horizon 2020 Associated Countries are eligible as final beneficiaries. These debt instruments will be complemented in the near future by a suite of equity instruments managed by the EIF.

*InnovFin Large Projects* delivers loans and guarantees from EUR 25 to 300m 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).

*InnovFin MidCap Growth Finance* offers long term senior, subordinated or mezzanine loans from EUR 7.5 to 25m for innovative larger midcaps (up to 3000 employees), but also SMEs and small midcaps.

*InnovFin MidCap Guarantee* provides guarantees and counter-guarantees on debt financing of up to EUR 50m, in order to improve access to finance for innovative midcaps (up to 3000 employees) which are not eligible under the *InnovFin SME Guarantee*. This will be rolled out through financial intermediaries such as banks, other financial institutions. Under *InnovFin MidCap Guarantee*, financial intermediaries will be guaranteed against a portion of their potential losses by the EIF.

*InnovFin SME Guarantee* provides guarantees and counter-guarantees on debt financing of between EUR 25 000 and EUR 7.5m, in order to improve access to loan finance for innovative small and medium-sized enterprises and small midcaps (up to 499 employees). This facility will also be rolled out through financial intermediaries. Under *InnovFin SME Guarantee*, financial intermediaries will be guaranteed or counter-guaranteed against a portion of their potential losses by the EIF. *InnovFin SME Guarantee's* predecessor, the Risk Sharing Instrument (RSI), has since its inception in 2011 until 12 June 2014, successfully supported 29 financial intermediaries in 15 countries to lend over EUR 3bn to innovative businesses.<sup>1</sup>

*InnovFin Advisory* aims to improve the bankability and investment-readiness of large projects that need substantial, long-term investments. It will also provide advice to improve the conditions for access to risk finance for R&I through horizontal activities such as sector studies, criteria reports and better information tools. The main clients foreseen are promoters of large R&I projects that meet Horizon 2020's Societal Challenges. It builds on a successful pilot operated under the Risk-Sharing Finance Facility in FP7.

## 6. Is InnovFin also available for projects outside of EU Member State countries?

Projects eligible for InnovFin financing can be located in the 28 EU Member States and in the Horizon 2020 Associated Countries.<sup>2</sup>

## 7. What type of R&I activities can be financed under InnovFin?

*InnovFin Large Projects*: EIB finance is based on a R&I investment project, which can consist of promoter's R&I programs (typically over three to four years), including related capital expenditure (facilities, prototypes); innovation: deployment of innovative technologies (in particular key enabling technologies (KETs)), including capital expenditure related to commercial launch; Research and Innovation Infrastructures (both multi-country and national) and research and innovation enabling infrastructures.

*InnovFin MidCap Growth Finance, MidCap Guarantee and SME Guarantee*: for these products the concept of "innovative counterpart" is the key reference for eligibility. For each of the products a list of criteria has been established to determine whether the SME or midcap is innovative or not. It is sufficient for potential final beneficiaries to comply with one single criterion.

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<sup>1</sup> [http://www.eif.org/what\\_we\\_do/guarantees/RSI/](http://www.eif.org/what_we_do/guarantees/RSI/)

<sup>2</sup> [http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/hi/3cpart/h2020-hi-list-ac\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/3cpart/h2020-hi-list-ac_en.pdf)

## **8. How much financing support can the EIB Group provide?**

The EIB Group can provide (either direct or indirectly through banks and other financial institutions) from as little as EUR 25 000 up to a limit of EUR 300m. Typically EIB provides up to 50% of project or investment cost. The experience of RSFF showed that for this particular type of financing, EIB's support was usually between 35% and 50%, the remainder of the financing being provided by other banks and financial institutions and project promoters' own funds.

## **9. How long does it take to receive approval for InnovFin financing?**

The EIB's due diligence process involves the assessment of the company's or project's eligibility, techno-economic viability, environmental soundness and the promoter's financial situation and perspectives. Subject to the completeness of the information / documentation available and the nature of the financing, the time elapsing between a first contact with the EIB and the signature of a financing contract will typically vary between 3 and 6 months.

For *InnovFin SME Guarantee* and *InnovFin MidCap Guarantee*, which are delivered through financial intermediaries, the latter's due diligence process will determine the time elapsing between first contact and signature of a financing contract.

## **10. You mentioned that, in addition to financial instruments, InnovFin offers advisory services? Why, what type and for whom do these services apply?**

Why: Past experience has demonstrated that many R&I projects face difficulties in securing access to finance although their fundamentals are good. Advisory support helps them to capitalise on these fundamentals and adjust elements such as governance, funding sources, financing structure, etc. to improve their access to finance and, eventually, their chances of being implemented. Designed to act as a complementary tool in tandem with Horizon 2020 financial instruments, InnovFin Advisory Services is supposed to advise its clients with respect to how to structure their R&I projects in order to improve their access to finance.

What: *InnovFin Advisory* aims to improve the bankability and investment-readiness of large, complex projects that need substantial, long-term investments. It will also provide advice to improve the investment conditions for access to risk finance for R&I through horizontal activities, such as enhancing the communication of finance-related information, sectoral studies, criteria reports, etc.. It builds on a successful pilot operated under the Risk-Sharing Finance Facility in FP7.

For whom: The main clients foreseen are promoters of large R&I projects that meet Horizon 2020's Societal Challenges.<sup>[1]</sup>

## **11. Is there any extra information or results available on InnovFin's predecessor, the Risk-Sharing Finance Facility (RSFF)? Is there any report available?**

InnovFin builds on the success of the former Risk-Sharing Finance Facility developed under the seventh EU framework programme for research and technological development (FP7). Since 2007, the Risk-Sharing Finance Facility has financed 114 RDI projects to the tune of EUR 11.3bn and signed 29 guarantee contracts with a total guarantee amount of over EUR 1.4bn.

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<sup>[1]</sup> Such challenges being:

Health, demographic change and wellbeing; food security, sustainable agriculture and forestry, marine and maritime and inland water research, and the Bioeconomy; secure, clean and efficient energy; smart, green and integrated transport; climate action, environment, resource efficiency and raw materials; Europe in a changing world - inclusive, innovative and reflective societies; secure societies - protecting freedom and security of Europe and its citizens.

**12. Do you have examples of innovative businesses supported by EIB ?**

Innovative projects supported range from large research infrastructures, such as the Sincrotrone free-electron laser in Italy, healthcare companies developing technologies that save lives, like Ion Beam Applications in Belgium, pharmaceutical innovation including Gerhard Richter in Hungary and UCB in Belgium, to midcaps like Finnish Rovio, creator of the Angry Birds game.

An independent [evaluation of RSFF's activities](#) is on the EIB website.

**13. What is the role of the EIF in InnovFin?**

The InnovFin SME Guarantee facility is implemented by the European Investment Fund, and will be rolled out through financial intermediaries – banks and other financial institutions – in EU Member States and Associated Countries. Under this facility, financial intermediaries will be guaranteed by the EIF against a proportion of their losses incurred on the debt financing covered under the facility.

**14. Do you have examples of businesses supported by EIF under the previous programming period?**

A number of SMEs have already benefitted from a similar programme under the RSI initiative these include CS-Beton: one of the biggest producers of concrete goods for pavements, roads, highways and airports and NBI Bearings Europe: one of the leading bearings companies in Spain for industrial sectors including the oil and gas, agriculture, iron and steel industries, many other examples which can be found on the EIF website.

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