

Support for Research, Development and Innovation

Introduction: « Financial instruments for SMEs and larger companies provided by the European Union and the European Investment Bank »

**Seminar on « Financial instruments for R&D and Innovation »
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Renewed “Lisbon Strategy” of the European Union

- Europe should become “the world’s most dynamic knowledge-based economy”
- Priorities and concrete actions identified:
 - Investing in knowledge and innovation
 - Unlocking the business potential, especially of small and medium-sized enterprises (SMEs)
 - Investing in people and modernising labour markets
 - Energy and climate change

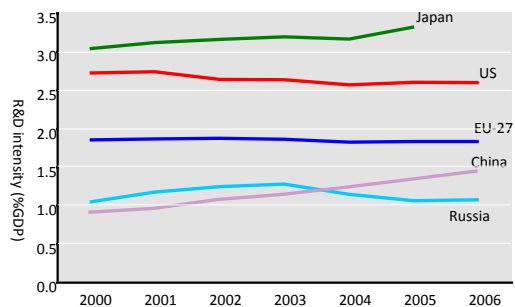


Importance of R&D and Innovation

R & D investment and finance gap in Europe



	R&D investment (%GDP)	R&D funded by private sector (%)
EU-27	1.8	55
US	2.6	64
Japan	3.3	75
China	1.4	65



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Gap in Research, Development and Innovation investment & finance in Europe

Europe is facing.....

- A **lack of funding** for excellent and top quality R&D projects in Europe, despite national funding in the European Member States and an increased European Research budget
- A **lack of private investment in R&D and Innovation**; but R&D and Innovation investments are key to keep Europe's industry competitive
- A **market imperfection with regard to finance for R&D, Innovation and SMEs**; financing is scarce for risky projects for Research & Development and for innovative companies, particularly SMEs

Europe is reacting.....

- Through dedicated support programmes, in addition to national support schemes in the EU member States, to address those gaps. EU support programmes include **"EU Financial instruments" for R&D, Innovation and SMEs"**

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Key European support programmes

- **7th Framework Programme for Research, Development and Demonstration (“FP7”)** 2007-2013: Grant funding for Research and Development investments including new financial instruments (i.e. “Risk-Sharing Finance Facility”, RSFF); total volume of 54.6 billion EURO
- **Competitiveness and Innovation Framework Programme (“CIP”) 2007-2013**: Financial instruments for innovation investments and investments made by SMEs (within the “Entrepreneurship and Innovation Programme” of the CIP); total volume of 3.6 billion EURO, of which 1.13 billion for Financial Instruments
- **Structural Funds to support EU Cohesion Policy 2007-2013**: Financial instruments for SME investments, through i.e. JEREMIE and JASMINE

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EU Financial Instruments Goals and features



- Support **innovative companies of any size and ownership** investing in Research, Development and Innovation (RSFF supported by FP7)
- Support specifically **small and medium-sized enterprises** (CIP financial instruments)
- Provide more funding for investments in R&D and/ or innovation in various forms: **Equity, loans and/ or guarantees** (RSFF and CIP Financial instruments)
- **Mobilise capital market finance** by combining EU budget resources with the financing resources made available through banks and other financial institutions (RSFF and CIP Financial instruments)
- Use innovative approaches such as **sharing risk between the EC and the European Investment Bank (EIB)/ European Investment Fund (EIF)** (RSFF and CIP Financial instruments)

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EU Financial Instruments

Partnership between the EC and the EIB/EIF

- European Commission and EIB/ EIF are both European Institutions to implement EU policies; political responsibility remains with the EC (budget, approval of eligibility of projects), concrete implementation of EU financial instruments through the EIB/ EIF
- Combination of EU budget resources used for risk-sharing and guarantees with financing from the EIB/EIF can multiply funding to reach as much companies/ beneficiaries as possible
- New innovative financial instruments can be launched targeting the needs of companies (like the RSFF = risk-sharing loans for research, development and innovation)
- EIB/EIF are working together with partner banks/ institutions (“Financial intermediaries”) in EU Member States and Associated countries using their specific expertise in national/ regional markets

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Example: Risk-Sharing Finance Facility

Risk-sharing EC/ EIB and mobilisation of RSFF finance

FP 7 Contribution:
up to € 1 billion



EIB Contribution:
up to € 1 billion

up to € 2 billion for
Risk coverage
for potential losses (non-repayment of RSFF loans by borrower/ beneficiary)

allows EIB to provide
RSFF loans and guarantees of up to € 10 billion

for Research, Development & Innovation investments

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Example: CIP Financial instruments

Making EU funding available through the EIF and local banks



Provides Funds / Resources



Invests

Venture Capital Fund

Invests

SMEs

Counter-Guarantees

Guarantee Society

Guarantees

Bank

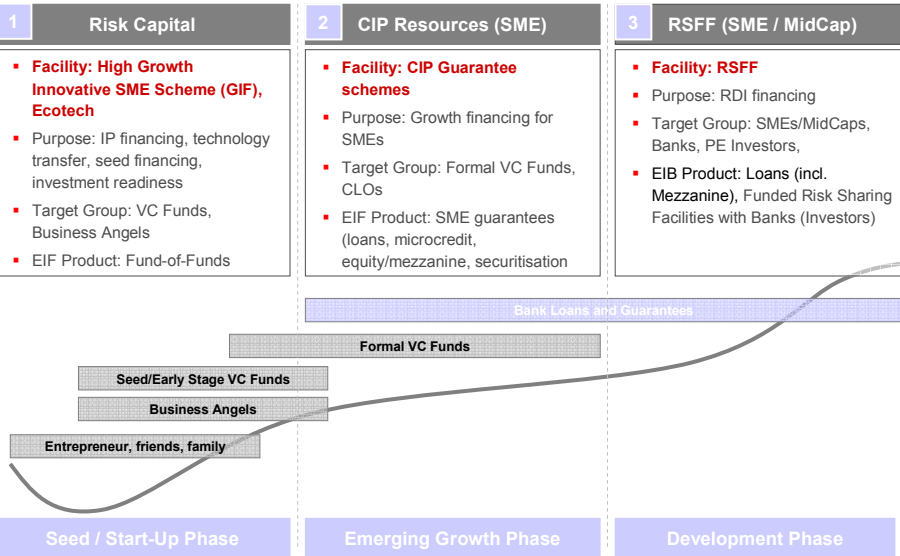
Lends

SMEs

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EU financial instruments: Support for companies at their various stages



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Summary

EU financial instruments for R&D, Innovation and SMEs

- Europe **needs more investment** in Research, Development and Innovation, particularly from private sector companies
- In Europe, **financing for R&D and Innovation** as well as for innovative companies, particularly SMEs **is not sufficient** due to the risks involved
- At EU level, **specific support programmes** exist: FP7 for Research and Development, CIP for Innovation, Structural Funds for regional development
- EU support programmes include **specific financial instruments** to support R&D, Innovation and (innovative) SMEs
- EC and EIB/EIF are **risk-sharing partners**; budget resources and lending capacity are pooled to achieve higher volumes of funding
- EU financial instruments are **implemented by the EIB/ EIF** and their partner banks/ institutions
- EU financial instruments offer a **variety of funding opportunities**: Equity, loans and guarantees

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Useful links for information

FP7 funding:

http://cordis.europa.eu/fp7/home_en.html

Risk-Sharing Finance Facility:

<http://www.eib.org/products/loans/special/rsff/index.htm>

Financing innovation and SMEs, CIP financial instruments:

ec.europa.eu/enterprise/policies/finance/index.htm

Guide on CIP, FP7 and Structural funds:

ftp://ftp.cordis.europa.eu/pub/fp7/docs/practical-guide_en.pdf

European Investment Bank (EIB)

eib.europa.org

European Investment Fund (EIF):

eif.europa.eu

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**Thank you very much for your
attention !**