



Implementing FP7 Risk-Sharing Finance Facility (RSFF)

Brussels,
07 February 2007



A political request to increase financial support to R&D

- **December 2005 European Council:**

“The European Council invites the Commission in cooperation with the European Investment Bank (EIB) to examine the possibility of strengthening their support for Research and Development by up to a maximum of € 10 billion through a financing facility with risk-sharing components to foster additional investment in European research and development, particularly by the private sector.”



EIB lending to R&D & Innovation: strong track record



- In the 1990's: EIB loans for RDI were negligible
- Reaching the level of EUR 4.1 billion in 2004 and EUR 6.1 billion in 2005
- 2001 – 2005: RDI loans represented almost 50% of the EUR 32 billion invested under EIB's "Innovation 2010 Initiative" (i2i)
- Loans to public and private borrowers covering a broad range of sectors



Loans: another tool to support R&D and Innovation

BIOTECHNOLOGY SECTOR Sources of finance in Europe and US

EuropaBio report, April 2005

Europe (2004)

1976 companies

€ 940 million raised in VC

€1 billion debt financing

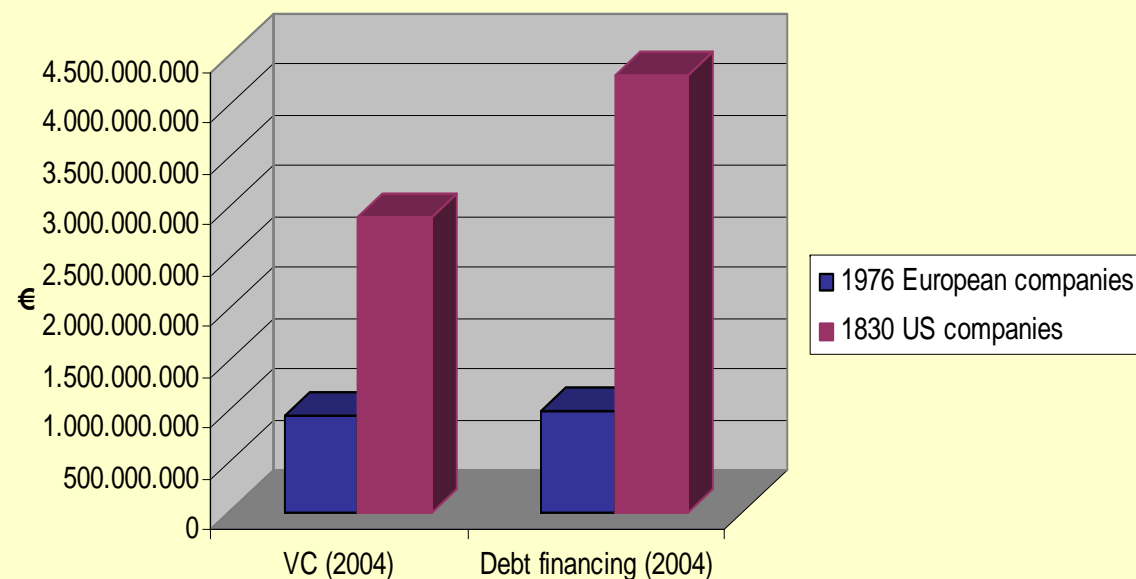
US (2004)

1830 companies

€ 2.9 billion raised in VC

€4.3 billion debt financing

Debt provisions also help US Firms !





Why an FP7 contribution?



- A higher level of risk requires a higher level of intervention in the form of provisions and capital allocation.
- For its higher risk portfolio under the SFF built up since 2001, the EIB has made, on average, provisions of 13% to cover risks.
- For the RSFF portfolio which will include even higher risk operations, provisioning and capital allocation is expected to fall within the range of 15%-25% of the nominal value (*based on banking sector's experience of dealing with higher risk lending*).
This is made possible due to FP7 contribution (*up to 1 billion €*)

- Extension of the range of activities supported: « From bricks to brains »

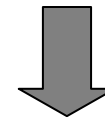
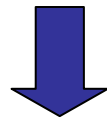


EIB/EC Partnership



EU FP7

EIB i2i



Contribution of up to
EUR 1 billion

+

Contribution of up to
EUR 1 billion



RISK-SHARING FINANCE FACILITY
[reserve to cover risk of EIB (and its
partners') lending]



“Doing more with less”: the leverage effect



Matching contributions



**FP7
Contribution:
up to €1 billion**

X 2

**EIB
Contribution:
up to €1 billion**

X 4 to 6
(average: 5)

Provisioning and capital
Allocation representing
**15% to 25% (average 20%)
of volume** of
individual loan



**EIB loans and
guaranties:
€8 to 12 billions
(average: 10)**

X 2 to 4
(average: 3)

Loans representing on
average **one third of
total cost** of financed
research projects



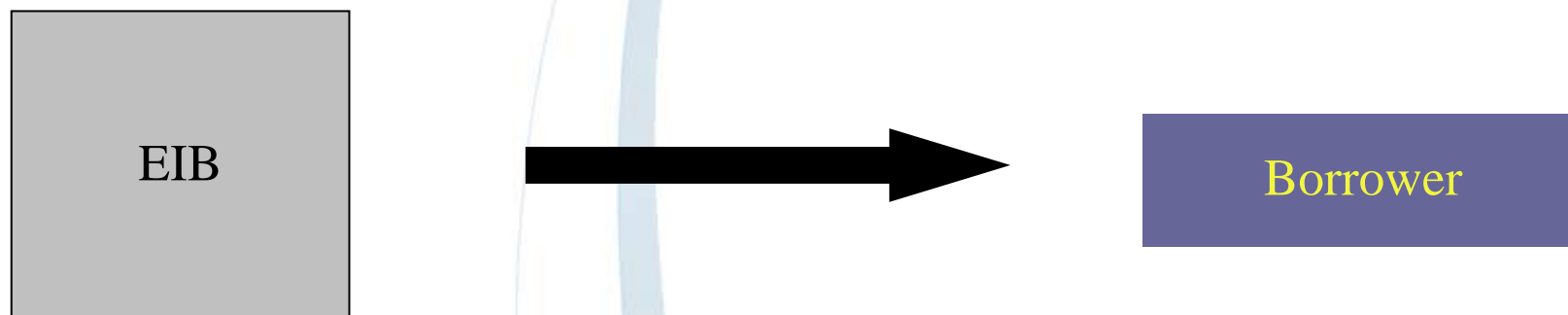
**Additional private
investments in
research:
€16 to 48 billions
(Average: 30)**



A large spectrum of loans



For loans of EUR 7.5 million **or more** - direct involvement by the EIB



For all loans where borrowers wish to work with their own banks, in particular those of less than EUR 7.5 million - sharing of RSFF benefits with intermediaries (e.g. through guarantees)





Beneficiaries



- **All legal entities, irrespective of size**
 - **SMEs and larger companies**
 - **Public and private research organisations (including universities) allowed to borrow**
 - **Joint legal entities set up by a consortium including Public-Private-Partnerships**



Source of Funds and Selection Criteria



FP7 contribution to RSFF

- Up to EUR 800 million from SP COOPERATION, and
- Up to EUR 200 million from SP CAPACITIES

EIB contribution to RSFF
up to EUR 1 billion



RSFF



RSFF eligibility criteria: higher risk projects (SFF risk level) in the area of RDI, including:

- Innovation investments
- RTD&D activities, including those outside the scope of FP7 themes
- Research infrastructures, including those without direct *European interest*

Eligibility criteria for using EU funds from SP COOPERATION:
RTD&D activities, within scope of FP7 themes

Eligibility criteria for using EU funds from SP CAPACITIES:
Research infrastructures of *European interest*



Indicative multi-annual plan (Commitments – EUR Million)



	2007-2008	2009	2010	2011	2012	2013	2007-2013
Total COOPERATION	160	120	120	200	160	40	800
Total CAPACITES (Only RI)	40	30	30	50	40	10	200
TOTAL	200	150	150	250	200	50	1.000

2007-2010	2011-2013
500	500



A demand driven mechanism



- The Community will closely monitor the payments of the contribution to the EIB to ensure there are no unused funds left at the end of FP7
- If demand for RSFF supported loans is lower than projected, the unused part of the Community contribution will be used for grants under FP 7
- The importance of Mid-Term Review



The importance of Mid-term Review

- Mid-term review:
 - Before the mid term-review, FP7 will contribute an amount of up to EUR 500 million to the RSFF until 2010.
 - Report by the Commission containing information on:
 - the type of participating legal entities (SMES, universities, ...)
 - the fulfilment of the FP7 selection criteria
 - the kind of projects supported
 - the demand for the instrument concerned
 - the duration of the authorisation procedure
 - the project results
 - the funding distribution.
 - According to the results of the mid-term review there will be the possibility to release up to an additional EUR 500 million for the period 2010-2013.



No More “SKYPE Story”!

« Many research projects, which are currently undertaken, thanks to subsidies, or deferred, reduced or abandoned, for lack of them, have a financial profile that could give them access to loans... »



RSFF contact points



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