EU funding for innovation

Jean-David Malo
Director, Open Science, Open Innovation
DG Research and Innovation
European Commission
What’s holding back European innovation

- Lack of **breakthrough and disruptive innovations** that create new markets
- **Financing gap** between R&D grants and private investment **for scaling up** innovative start-ups
- Many national & local ecosystems, but **fragmented at European level**
Who will lead the next wave of breakthrough and disruptive innovation?

Examples taken from WIPO, MIT, WEF, OECD, etc.

EU and US lead

US lead (and Asia, EU)

Who leads?
Financing gap: venture capital US vs EU

Venture capital raised. Data: Invest Europe, NVCA / Pitchbook. (1) EU does not include HR, CY, MT, SI, SK.
Global Fast-growing Innovative Companies”

Die 60 wertvollsten Plattformen der Welt (Mrdr. Dollar (Börsenwert; jüngste Finanzierung / Stand 31. Dezember 2017))

USA
(Anteil: 64% (2015: 67%))

- Apple (868)
- Alphabet (730)
- Microsoft (660)
- Facebook (513)
- Amazon (564)
- Pinterest (12)
- Ebay (39)
- Netflix (83)
- Snap (18)
- Slack (52)
- Twitter (18)
- Salesforce (74)
- WeWork (21)
- Airbnb (31)
- Priceline (85)
- Intuit (40)
- Square (13)
- Stripe (9)
- Dropbox (10)

Europa
(Anteil: 3% (2015: 3%))

- Spotify (16)
- Zalando (11)
- Yandex (11)
- Social Finance (4)
- Credit Karma (4)
- Houzz (4)
- Instacart (3)
- Delivery Hero (6)
- Scout24 (4)
- Auto1 Group (2,8)
- BGL Group (3)
- The Hut Group (3)

Afrika
(Anteil: 2% (2015: 2%))

- Naspers (120)

Asien
(Anteil: 31% (2015: 28%))

- Tencent (493)
- Alibaba (442)
- Samsung (367)
- JD.com (59)
- Baidu (81)
- JD.com Plus (30)
- Weibo (23)
- Lu.com (19)
- Flipkart (12)
- Toutiao (11)
- Ola (7)
- Coupang (5)
- Ele.me (6)
- Kaishou (3)
- One97 (7)
- GrabTaxi (6)
- Rakuten (13)
- Meltuan (30)
- Meituan (30)
- Naver (27)
- Lufax (19)
- One97 (7)
- One97 (7)
- One97 (7)
- One97 (7)
- One97 (7)

Quelle: Netzoeconom.de / Idee: Peter Evans
European tech ecosystems are rich but can only reach their full potential if better interconnected.
The European Innovation Council

**One stop shop** for breakthrough & disruptive innovators

**Open** to all innovators, in any field, at any time

**Highest potential** innovators selected on basis of ideas and team

**Agile funding** from idea to investment

**Pathfinder grants** for advanced research on emerging technologies

**Accelerator funding** for innovative start-ups (<€2.5 million grant, <€15 million equity)

**Crowding in private investment** (VC, Invest EU)

**Building ecosystems** and communities

**Access** to mentoring and advisory services and to knowledge partners (e.g. EIT)

**Expert Programme Managers** to engage with projects and communities

**Prizes** for breakthrough technologies
“Europe does not yet have a world class scheme to support the very best innovations in the way that the European Research Council is the global reference for supporting excellent science. So I would like us to take stock of the various schemes to support innovation and SMEs under Horizon 2020, to look at best practice internationally, and to design a new European Innovation Council.”

Designed together with leading innovators

*Accelerating breakthrough innovation report, January 2018*

Nicklas Bergman  
Martin Bruncko  
Paddy Cosgrave  
Gráinne Dwyer  
Hermann Hauser  
Marjolein Helder  
Taavet Hinrikus  
Ingmar Hoerr  
Bindi Karia  
Jana Kolar  
Carlos Oliveira  
Jim Hagemann Snabe  
Kinga Stanislawska  
Constantijn van Oranje  
Roxanne Varza

**Research and Innovation**
“We will only succeed if we are the ones creating, developing and producing new technologies. That is why we need: a strong EU commitment to disruptive innovation within the framework of the European Innovation Council (EIC). The goal is to support very high risk deep tech projects at the European level”

A Franco-German Manifesto for a European industrial policy fit for the 21st Century, February 2019
Tested under Horizon 2020, fully incorporated in Horizon Europe

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Estimated Budget, M€</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 Pilot</td>
<td>780</td>
</tr>
<tr>
<td>2019 Enhanced Pilot</td>
<td>1028</td>
</tr>
<tr>
<td>2020 Enhanced Pilot</td>
<td>1228</td>
</tr>
</tbody>
</table>
First phase launched in 2018

- Bringing together relevant Horizon 2020 schemes in one place (*SME instrument, Fast Track to Innovation, FET Open, Prizes*)
- Introduction of open support for Start-ups and SMEs (no predefined themes)
- Introduction of interviews with experienced innovators to select SMEs for funding
- Launch of major prizes for breakthrough innovations, e.g. low cost space launcher (€10 million prize); artificial photosynthesis (€5 million prize)

⇒ 6000 applications received by start-ups or SMEs (*for SME phase 2 grants*)
⇒ Majority combining different fields: digital, energy, manufacturing, health, etc.
⇒ 520 interviewed & 250 awarded funding (*budget €450 million*)
⇒ Fast process (*grant awarded in under 4 months*)
⇒ Total budget in 2018 of €780 million *for all EIC pilot actions*
Second phase launched in 2019

✓ Increased budget of €2.2 billion (€1.0bn in 2019; €1.2bn in 2020)

✓ Introduction of pilot accelerator with option to apply for blended finance (combined grant and equity)

✓ Introduction of pilot pathfinder, with 6 strategic emerging technologies targeted (human-centric AI, novel medical devices, zero-emission energy generation, etc)

✓ New EIC Advisory Board to bring in leading innovators for ongoing design & implementation

✓ First EIC programme managers recruited to actively engage with pathfinder projects
€3 billion-pilot package to support bottom-up ideas

<table>
<thead>
<tr>
<th>PATHFINDER Pilot</th>
<th>ACCELERATOR Pilot</th>
</tr>
</thead>
</table>
| **€ 845 million**  
 400 projects | **€ 2,100 million**  
 XXXX projects |
| **FET OPEN + FET Proactive**  
 Future and Emerging Technologies  
 (grant-only) | **SME Instrument Phase 2 / Fast Track to Innovation (FTI)**  
 (grant-only) |
| Visionary idea for developing radical and innovative technologies | Radically new, highly risky ideas commercially viable and with a potential to scale up |
| Coaching, mentoring and business acceleration services for all SMEs | **Blended finance**  
 (grant + equity) |

**EIC Horizon Prizes + Support actions**  
€50 million
The Pathfinder Pilot

Pathfinder

- supports future and emerging breakthrough technologies with a **one-off grant**
- a project can apply for Accelerator funding as it matures
The Accelerator Pilot

Accelerator

- provides **blended finance** (grants plus loan/equity) of up to €15 million or more

- bridges the financing gap between late-stage innovation activities and market take-up
Accelerator Pilot-SME Instrument
Grant-only

- Individual SMEs targeting new markets with high-risk, high-growth potential
- Substantial funding for the last stages of development
- Bottom-up: all sectors, products, services, new business models
- €0.5-€2.5 million (funding rate 70%)
- Activities from testing to commercialisation
- 12-24 months
- Highly competitive
Accelerator-SME Instrument Blended (Grant + equity)

- **Individual SMEs** targeting new markets with high-risk, high-growth potential
- **Substantial funding** for the last stages of development
- **Bottom-up**: all sectors, products, services, new business models
- **Grant** €0.5-€2.5 million (funding rate 70%)
  - All activities, including commercialisation
  - **12-24 months**
- **Equity** up to €15 million
  - Activities **above TRL 8**
Accelerator Pilot (SME Instrument)
General process

1. Submission of Proposals
2. Remote Evaluation
3. Ranking of Proposals
4. Interview
5. Grant Agreement
Accelerator Pilot Novelties (grant and blended)

- Application
  - *Single template for the two options*
  - Applicants positively evaluated for blended finance will be asked for *additional information on their equity request*
  - *New forms* are largely based on the existing ones and include *additional financial elements* in a separate annex
  - Companies will have to *upload the pitch deck* (pdf format - 10MB) that will be used if invited to the interviews
Accelerator Pilot (grant and blended) Novelties

- Evaluation
  - By experts in technology, business and finance
  - Two steps:
    - Step 1 (remote evaluation), and only for proposals that pass all quality thresholds...
    - Step 2 (face-to-face interview)
  - Three possible outcomes:
    - 'Go' decision triggers Commission conditional approval of an initial investment package (grant and equity component)
    - 'No Go' decision
    - 'Change into blended finance' decision.
Accelerator Pilot (grant and blended) Novelties

- Evaluation: award criteria
  - Three award criteria:
    - 33% 'impact'
    - 33% 'excellence'
    - 33% 'quality and efficiency of implementation'
  - In addition, the equity component will be subjected to due diligence by the SPV.

- Time-to-inform: 3 months

- Time-to-grant
  - Grant-part: 6 months
  - Equity part: +3 months
From grant to blended finance

**Grant:** Early-stage innovation for development

**Equity:** Mature innovation ready for scale-up

- Grant-only options:
  - **Without consent** to the Commission to change into blended
    - If the proposal includes mature innovation activities, it will be rejected
  - **With consent** to the Commission to change into blended
    - If the proposal includes mature innovation activities, it will be changed into blended finance
    - **flexibility option to obtain equity** even if not requested at the moment of submission
Evaluation
The interview

Jury interview

- 15’
Jury briefing

- 30’
Interview of applicants

- 15’
Jury debriefing

Panel review

• Agreement on the list of projects proposed for funding

- All interviews take place in Brussels
- During one week about a month after each cut-off date
- A maximum of three company representatives per proposal
- Representation by third parties is forbidden
- Presence of senior company officers is recommended

*subject to change
Accelerator Pilot (blended finance)
The Special Purpose Vehicle

Role of SPV (under discussion)
• Investment strategy
• Due diligence
• Co-investments
• Follow-on investments
• Investment management
• Exit strategy
FTI
Fast Track to Innovation

- Fast go-to-market of an industry-driven, innovative concept to grow and scale-up.
- Co-creation and open innovation.
- Grant-only
- Bottom-up
- Consortia of 3-5 — mandatory industry involvement
- Up to €3 million
- 36 months
Accelerator
Next cut-offs

- **Accelerator grant-only**
  - 5 June 2019

- **Accelerator blended finance and grant only**
  - 09 October 2019
  - 08 January 2020
  - 18 March 2020
  - 19 May 2020
  - 07 October 2020

- **FTI Fast Track to Innovation**
  - 23 May 2019
  - 22 October 2019
  - 19 February 2020
  - 09 June 2020
  - 27 October 2020
EIC Pilot
Business Acceleration Services

- For SMEs **EIC clients** (Pathfinder and Accelerator)
- **Coaching**: up to 12 days available
- **Mentoring** for individual founders, CEOs and leaders
- **EIC Community** Platform
- **EIC Events, such as Corporate Days**
EIC Horizon Prizes

Principles

• The EIC Horizon Prizes are monetary rewards offered to whoever can most effectively meet a defined societal or technological challenge.

• The prizes are open to anyone. They set an ambitious goal, without saying how that goal should be achieved or who should achieve it.
Full EIC under Horizon Europe (2021-27)

- Proposed budget of €10 billion
- Dedicated governance with EIC President and Advisory board
- More flexible rules for funding (ability to stop or reorient, links to Invest EU) with increased role for expert programme managers
- Full accelerator funding with both grant and blended finance
- Full pathfinder scheme for grants in advanced research and transition activities
- Fast track access for Horizon grant holders (incl. European Research Council) and certified national schemes
- Creation of EIC Forum with Member States innovation agencies
"[The EIC alone will not create global champions. What it will do is create a European Champions' League]"