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# The Risk-Sharing Finance Facility (RSFF)

## *RSFF Interim-evaluation 2010*

**European Parliament – Committee for Industry, Research and Energy**

**Brussels, 26 October 2010**

**Mrs Erika MANN, Chairwoman**
**Mr Luc SOETE, Rapporteur**

**Independent Expert Group (IEG) in charge of the RSFF Interim Evaluation**

# Requirement to conduct the RSFF interim evaluation in 2010

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## Decisions of the European Parliament and the Council on FP7 and its Specific Programmes "Co-operation" and "Capacities" of December 2006 require that

- The RSFF implementation has to be evaluated by the year 2010 by an external assessment conducted by a group of independent experts (**RSFF interim evaluation**);
- The results of this interim evaluation have to be **presented by the European Commission** to the Council and the European Parliament in 2010;
- On the basis of this report, the Council and the European Parliament may decide **to release the second tranche of up to EUR 500 for the RSFF for the period 2011-2013.**

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# Scope of the RSFF interim evaluation

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## Scope:

- The Independent Experts Group (IEG), composed of 6 experts, examined the implementation of the RSFF for the period 2007-2009 in terms of relevance, effectiveness, efficiency, coherence and synergies as well as its sustainability and impact;
- The evaluation was carried out between February and July 2010 and included interviews with beneficiaries, the EC, the EIB as well as field visits of a number of projects which have received RSFF loan finance;
- The RSFF interim evaluation results will be integrated in the Commission Communication on the FP 7 interim evaluation to Council and the European Parliament to be published before the end of 2010.

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# RSFF implementation: Key features

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- RSFF is an **innovative debt financing scheme** to allow more loan finance for risky, but creditworthy Research, Development and Innovation (RDI) investments;
- Objective: **provide up to EUR 10 billion** additional loan funding for RDI projects during the period 2007-2013;
- Key partners at European level: **European Union** (through European Commission) and **European Investment Bank** (EIB)
- EU (through FP7) and the EIB **each contribute up to EUR 1 billion to the RSFF** (total capital for risk coverage: EUR 2 billion) for the period 2007-2013
- **Innovative element:** Using EU budget sources (FP7) and EIB's own capital resources **to cover financial risks through risk-sharing mechanism**; 1 EURO for risk-sharing means 5 EURO of RSFF loan finance **("leverage effect");**
- Target groups: Private and public entities **of all sizes and ownership** including Research Infrastructures
- **Important:** RSFF is neither a grant scheme nor a subsidised loan facility (RSFF charges market-based interest rates).

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# RSFF interim evaluation: Results of the RSFF implementation 2007-2009

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# General overview (2007-2009): 62 projects – 6.3 Billion € of approved loans

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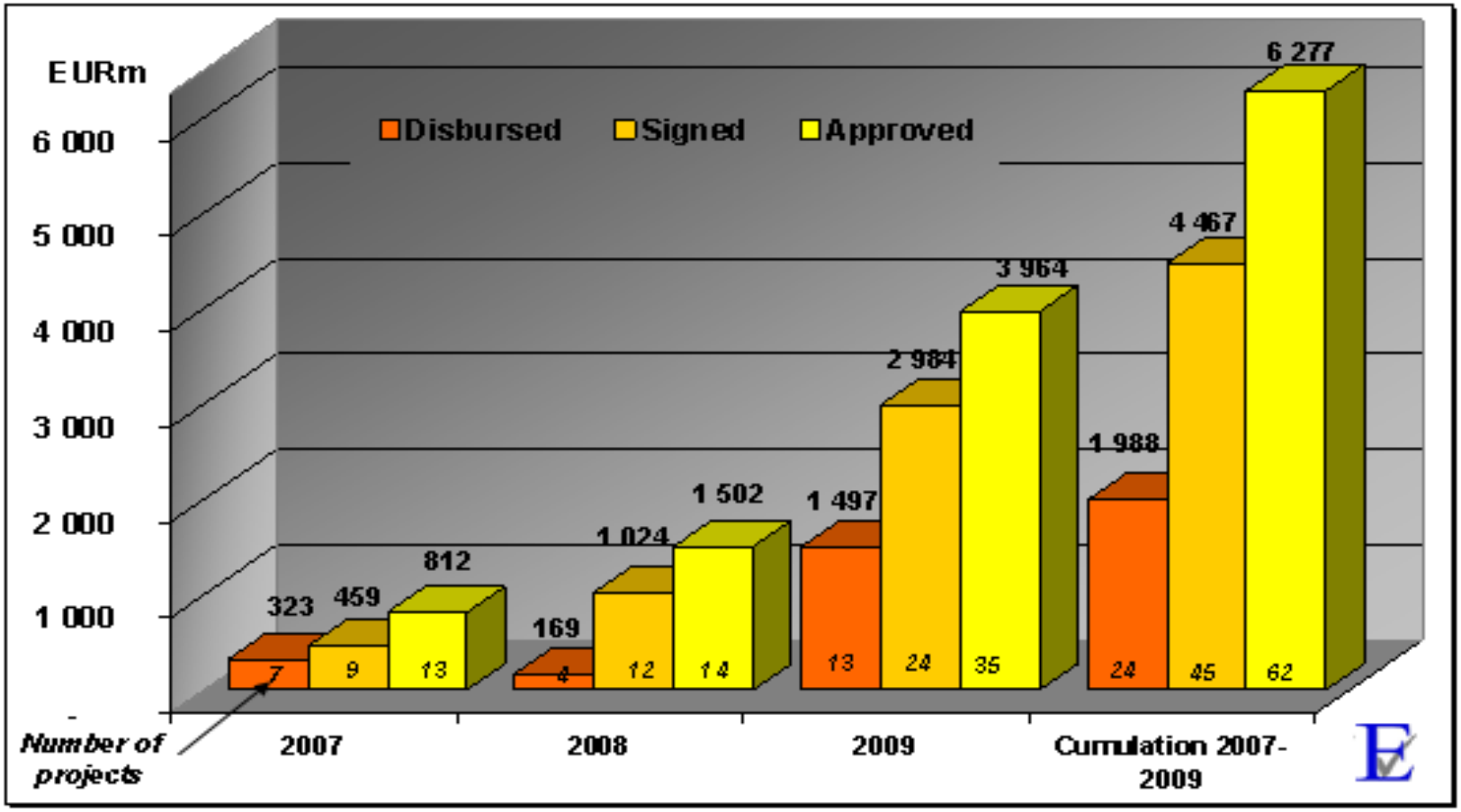

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# Classification of the RSFF approved projects (2007-2009) in the RDI scale (1/2) - 62 projects

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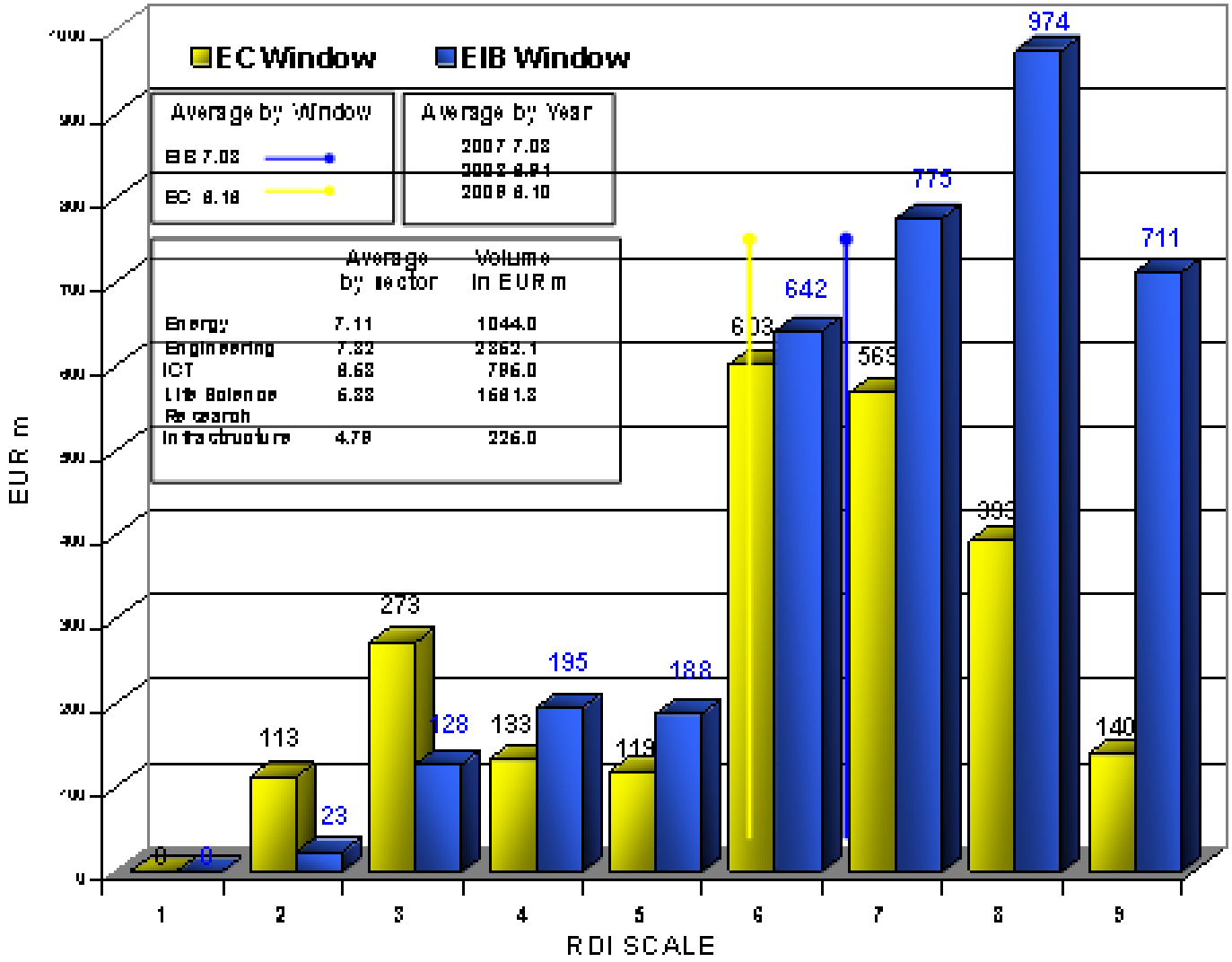
| Innovation Cycle | RDI Scale | |
|---|---|---|
| | Stage | Description |
| **Research** | 1 | Intellectually-driven investigation with no foreseeable economic application. |
| | 2 | Investigation within established disciplines/technologies. |
| | 3 | Applied research within existing technology boundary with practical applications in mind. |
| **Development** | 4 | Technology 'start-up' to develop practical applications for research ideas. |
| | 5 | Collaborative development within existing industries to produce new or next generation technology. |
| | 6 | Technical development of products following a defined longer-term technology 'roadmap'. |
| **Innovation** | 7 | Development of 'new generation' products involving substantial modification/innovation. |
| | 8 | Process/product innovation designed to modify/improve/differentiate existing products. |
| | 9 | Process innovation designed to reduce cost or extend life of existing product range. |
| Not RDI | 10 | Investment in maintenance or expansion of existing production. |

# Classification of the RSFF approved projects (2007-2009) in the RDI scale (2/2) - 62 projects



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# RSFF Approved projects
## Breakdown by Country (2007-2009)

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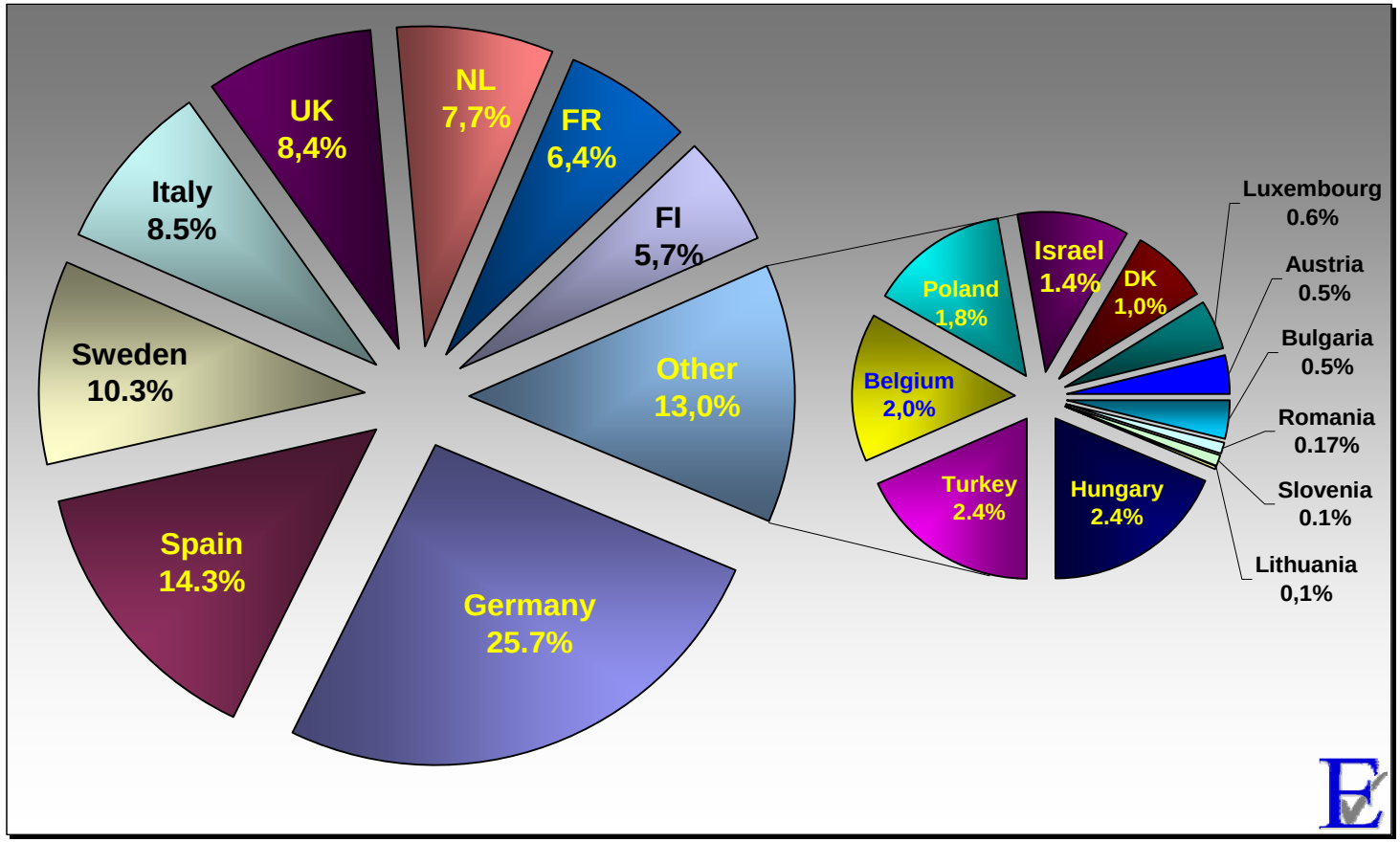


**Country coverage increases from 13 at the end of 2008 to 20 countries at the end of 2009** (Member States & FP7 Associated Countries)

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# RSFF Approved projects
## Breakdown by Sector – (2007-2009)

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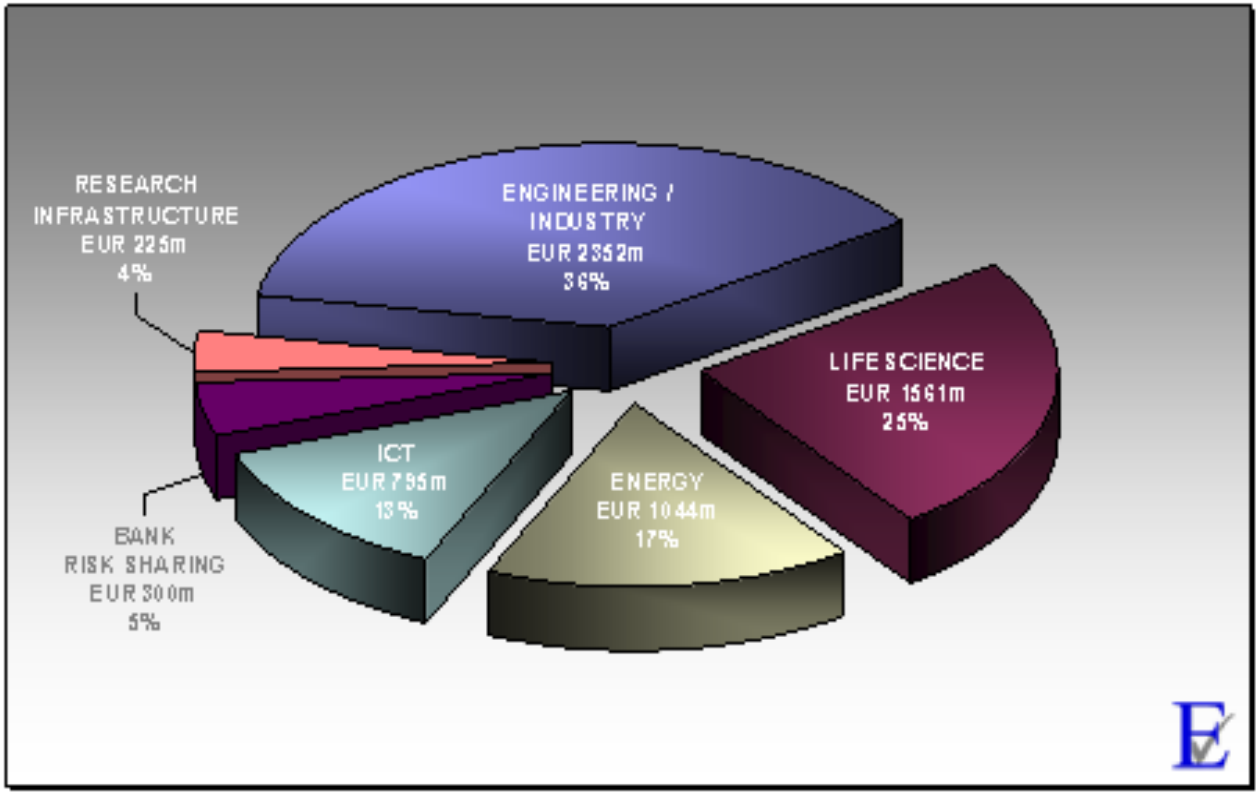


- Main sectors financed so far: Renewable energy technologies, Engineering/ industry, Life science and ICT;
- First signatures of Research-Infrastructure projects in 2009 and 2010

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# RSFF portfolio 2007-2009*: Breakdown by Beneficiaries

| | Type of beneficiary | Loan amount in EUR mill. | |
|---|---|---|---|
| 1 | Large companies | 2.626 | (61%) |
| 2 | Mid-caps, SMEs (including loans providing benefit to Mid-caps and SMEs) | 906 | (21%) |
| 3 | Project finance/ Special Purpose Vehicles (single projects) | 560 | (13%) |
| 4 | Research Infrastructures, Universities, Research Organisations | 225 | (5%) |
| | **Total** | **4.317** | **(100%)** |

* Signed and active RSFF loans; direct and indirect beneficiaries of RSFF finance

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# RSFF: Results expected (2007-2010) and already achieved (2007- 2009)

## 1. Risk coverage:

| | | |
|---|---|---|
| EC/ FP7: | EUR 500 million | 390 million |
| EIB: | EUR 500 million | 772 million |
| **Total:** | **EUR 1,000 million** | **1,162 million** |

## 2. RSFF loans:

| | |
|---|---|
| **EUR 5,000 million (leverage: 5)** | **6,300 million (leverage 5.4)** |

## 3. Total investments in RDI supported:

| | |
|---|---|
| **Up to EUR 15,000 million** | **16,200 million** |

- RSFF results have exceeded, for the period 2007-2009, initial expectations by more than 40%;
- Goals set until end-of-2010 already reached in 2009

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# RSFF interim evaluation: Main conclusions

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## Main conclusions by the IEG:

- 1. The RSFF is considered a **uniquely innovative, demand-driven instrument**;
- 2. It has been **successfully introduced** as a new scheme into the European Union's research funding under FP7 and therefore helped drastically to expand the financing for RDI;
- 3. The RSFF had a positive **dual leverage effect**: Allowing EU funding for loans to finance R&D and helping private investors/ companies to finance riskier RDI activities, even in times of economic crisis (2008/2009); appears as an **efficient anti-cyclical instrument**
- 4. The **implementation of the RSFF**, at a particularly difficult time, appears to have been carried out in a **highly efficient and effective** manner;
- 5. The IEG is therefore **highly positive** about the first roll-out phase of the RSFF.

# The recommendations of the IEG

The IEG made **10 recommendations** for the future of the RSFF.

- **Period 2011-2013:**

  **No.1: Immediate release of the EU contribution of € 500 million (€ 400m SP Cooperation; € 100m SP Capacities) as foreseen in the legal base of FP7**

  No. 5: Additional EU contribution of up to € 500 million to RSFF coming from EC FP7 Specific Programme 'Cooperation' and/or non-FP7 resources

  No. 2 to 4: Improvements possible for some already supported target groups (SMEs, Research Infrastructures) through introduction of specific approaches and change of risk-sharing

- **Period post 2013:**

  No. 7, 9 and 10: Continuation and expansion of the scale and the scope of the RSFF – as a visible part of 'FP8' – to address future RDI financing needs with a revolving dedicated EU budget of no less than EUR 5 billion for R&D and Innovation (EU support also for Innovation)

  No. 6: A certain degree of rationalisation of existing/future financial schemes should be targeted (avoiding duplication of efforts)

  No. 8: Regular monitoring

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# Summary of the RSFF interim evaluation results in view of integrating RSFF in the Commission Communication on the FP7 interim evaluation

- ***Were the RSFF objectives clearly specified and has the RSFF been implemented according to plan?***

  Yes. RSFF objectives have been clearly specified and implementation on the EC and EIB side has been effective and efficient.

- ***Main strengths and weaknesses?***

  **Strengths of the RSFF:** innovative use of EU budget for R&D, significant leverage effect, **anti-cyclical** instrument, **flexible** instrument for a range of target groups, efficient and effective implementation;

  **Weaknesses:** some target groups (*SMEs, Research Infrastructures*) could be reached more sufficiently (through change of risk-sharing and specific approaches).

- ***Level of demand, take-up and use of the RSFF?***

  High demand for RSFF loans, loan amount approved (EUR 6.3 billion for 62 projects by end-of-2009) is already 40% above the foreseen plan; continuous strong demand for RSFF loans

- ***What is the early evidence of the effectiveness of the RSFF?***

  Positive early evidence: significant geographical coverage (RSFF projects in 18 EU Member States and 2 Associated countries); significant coverage of different target groups (large and mid-sized companies, SMEs, single projects, Research Infrastructures); good variety of projects supported including new R&D concepts ("Open Innovation").

- ***What can be done to improve the effectiveness of the RSFF?***

  IEG recommendations point at following improvements:

  – Increase the number and range of *RDI-intensive SMEs* financed through involvement of specialised intermediaries;

  – Enhance RSFF loan finance for *universities, research institutions and Research Infrastructures* through a different risk-sharing approach;

  – Allow *more risk-taking of the EU (European Commission)* beyond the current level determined ("equity-type financing").

# Concluding remarks of the IEG

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- RSFF has been an important **European innovation tool** in RDI financing
- RSFF appears clearly as a **model example to be further developed and intensified**
- **RSFF can nevertheless be improved** to better support certain target groups with a higher risk profile (like SMEs) and complex structures (like Research Infrastructures)
- RSFF **can contribute significantly to** the development of an **Innovation Union** and to the achievement of the **Europe 2020 public policy objectives** to support a smart, sustainable and inclusive growth agenda

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# Members of the Independent Experts Group

- Mrs Erika MANN, Chair, CEO of ErikaMann Sprl; MEP from Germany from 1994 until summer 2009; and Senior Fellow of the Atlantic Council;
- Mr Luc SOETE, Rapporteur, Director of UNU-MERIT, United Nations University; Professor of International Economic Relations, School of Business and Economics, Maastricht University; and Member of the Dutch Adviesraad voor Wetenschap en Technologie (AWT);
- Mr Frank GANNON, Director General Science Foundation Ireland;
- Mr Arnaud HIBON, Vice President Head of European Parliament Affairs of EADS and Director European & NATO Affairs of EUROCOPTER;
- Mr Ewald NOWOTNY, Governor of the Oesterreichische Nationalbank (OeNB) and Member of the Governing Council of the European Central Bank (ECB);
- Mrs Carmen VELA, Manager Director of INGENASA (SME) and Member of the Advisor Committee of the Spanish Minister of Science and Technology and the EAG of Cell Factory.

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# Thank you very much for your attention!