



Improving access to finance: financial instruments in COSME and Horizon 2020

Commission's proposal

DG ENTR Unit E3 – Financing innovation & SMEs
DG RTD Unit C3 – Financial engineering



Access to finance: Why EU intervention is needed

- ❑ Continuing market failures and deficiencies in debt and equity markets
- ❑ Need to encourage more private investment and to complement national and regional schemes for SMEs
- ❑ Answering to banks/investors increasing risk-aversion
- ❑ Commitments in Europe 2020 Strategy, Single Market Act, Innovation Union Flagship Initiative, Action Plan on SME Access to Finance, SBA



Building on success

- **Competitiveness & Innovation Framework Programme (CIP)**
 - **SMEG** SME Guarantee Facility => **Loan Guarantee Facility**
By 30-09-2011, € 9.4 billion in lending mobilised, reaching 155 000 SMEs
 - **GIF** High-Growth & Innovative SMEs Facility => **Equity Facility**
By 30-09-2011, € 1.9 billion in VC funding mobilised for SMEs

- **Seventh Framework Programme (FP7)**
 - **RSFF** (*Risk-Sharing Finance Facility*) => **Loans & Guarantees Service**
Over € 7.4 billion in EIB loans to 75 companies so far (signed projects)
 - **RSI** (*started 2012*) => **SMEs & Small Midcaps Guarantee Facility**



Horizon 2020 and COSME will support two EU financial instruments for SMEs

□ Equity instrument for SMEs' growth and R&I

- Equity Facility for R&I (H2020)
- Equity Facility for Growth (COSME)

□ Debt instrument for SMEs' growth and R&I

- Loan Guarantee Facility (COSME)
- SMEs & Small Midcaps Guarantee Facility for R&I (H2020)



COSME

- ❑ **Equity Instrument: Equity Facility for Growth (EFG)**
 - Expansion and growth phase of SMEs
 - Venture capital and mezzanine

- ❑ **Debt Instrument: Loan Guarantee Facility (LGF)**
 - Counter guarantees and direct guarantees for SME loans including subordinated loans up to € 150 000



Horizon 2020

- ❑ **Equity Instrument: Equity Facility for R&I-driven SMEs and Small Midcaps**
 - Early stage
 - Venture capital

- ❑ **Debt Instrument: SMEs & Small Midcaps Guarantee Facility for R&I**
 - Guarantees for loans over € 150 000 for R&I activities



Horizon 2020 will also support debt financing for larger midcaps, large corporates, research bodies, etc

Debt financing of R&I undertaken by larger firms, research bodies, etc

Loans & Guarantees Service for R&I
demand-driven window (RSFF successor)
[+ support for SME Instrument (phase 3) in H2020]

Budget proposed

- **COSME – “Actions to improve SME access to finance”**
 - € 1 436 million in current prices
 - Equity Facility for Growth: € 690 million
 - Loan Guarantee Facility: € 746 million
- **H2020 (Industrial Leadership) – “Access to risk finance”**
 - € 3 768 million in current prices for financial facilities supporting all sizes of companies and types of entity
 - At least 1/3 (ca. € 1.25 bn) likely to be absorbed by SMEs and small midcaps (no breakdown between equity and debt)



Implementation

- Commission delegates implementation to the EIB/EIF and/or other financial institutions
- Implementation in line with a common set of rules that will be incorporated in a regulatory framework (Financial Regulation) and in Debt and Equity Platforms (operational requirements)
- Debt and equity funding can be combined; also with grants in H2020
- Demand-driven approach



More information

- Existing financial instruments (2007-2013)
 - SMEG and GIF
http://ec.europa.eu/enterprise/policies/finance/cip-financial-instruments/index_en.htm
 - RSFF
<http://www.eib.org/products/loans/special/rsff/index.htm>
RSI: http://www.eif.org/what_we_do/guarantees/RSI/index.htm
- Proposed (2014-2020)
 - COSME <http://ec.europa.eu/cip/cosme/>
 - Horizon 2020
http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=home



Thank you for your attention!