

Innovation 2010
Initiative

RSFF

An innovative financing instrument for more investment in Research, Development and Innovation in Europe



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RSFF – Risk-Sharing Finance Facility

An innovative financing instrument for more investment
in Research, Development and Innovation in Europe

1. Introduction: Political and economic rationale for RSFF
2. RSFF approach and implementation (objectives, risk-sharing mechanism, beneficiaries, eligible costs, products)
3. RSFF results, outlook and project examples
4. Summary



Risk-Sharing Finance Facility (RSFF)



Political mandate to increase financial support for 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.”*

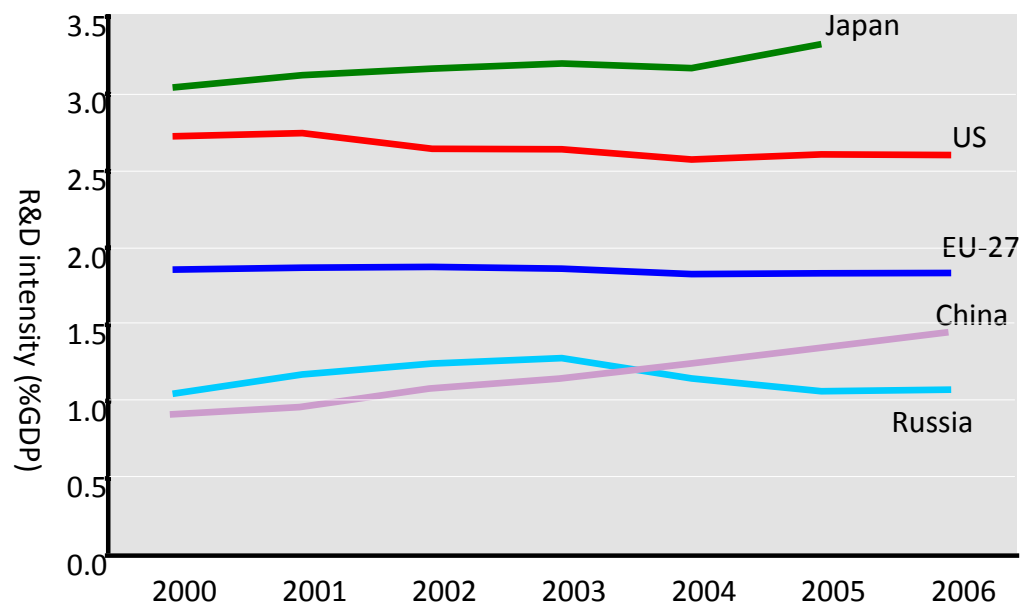


RSFF rational

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





RSFF rational

R & D investment and finance gap in Europe



Europe is facing:

- A **lack of funding** for excellent and top quality R&D projects at EU level, despite the increased FP 7 budget for 2007 – 2013 (EUR 54,6 billion)
- A **lack of private investment in R&D** which is the key factor for Europe's relatively weak total investment in R & D (2005: EU 1.84%, US 2.68%, Japan 3.40%)
- A **market imperfection** with regard to R&D investment finance; financing is scarce for such risky projects



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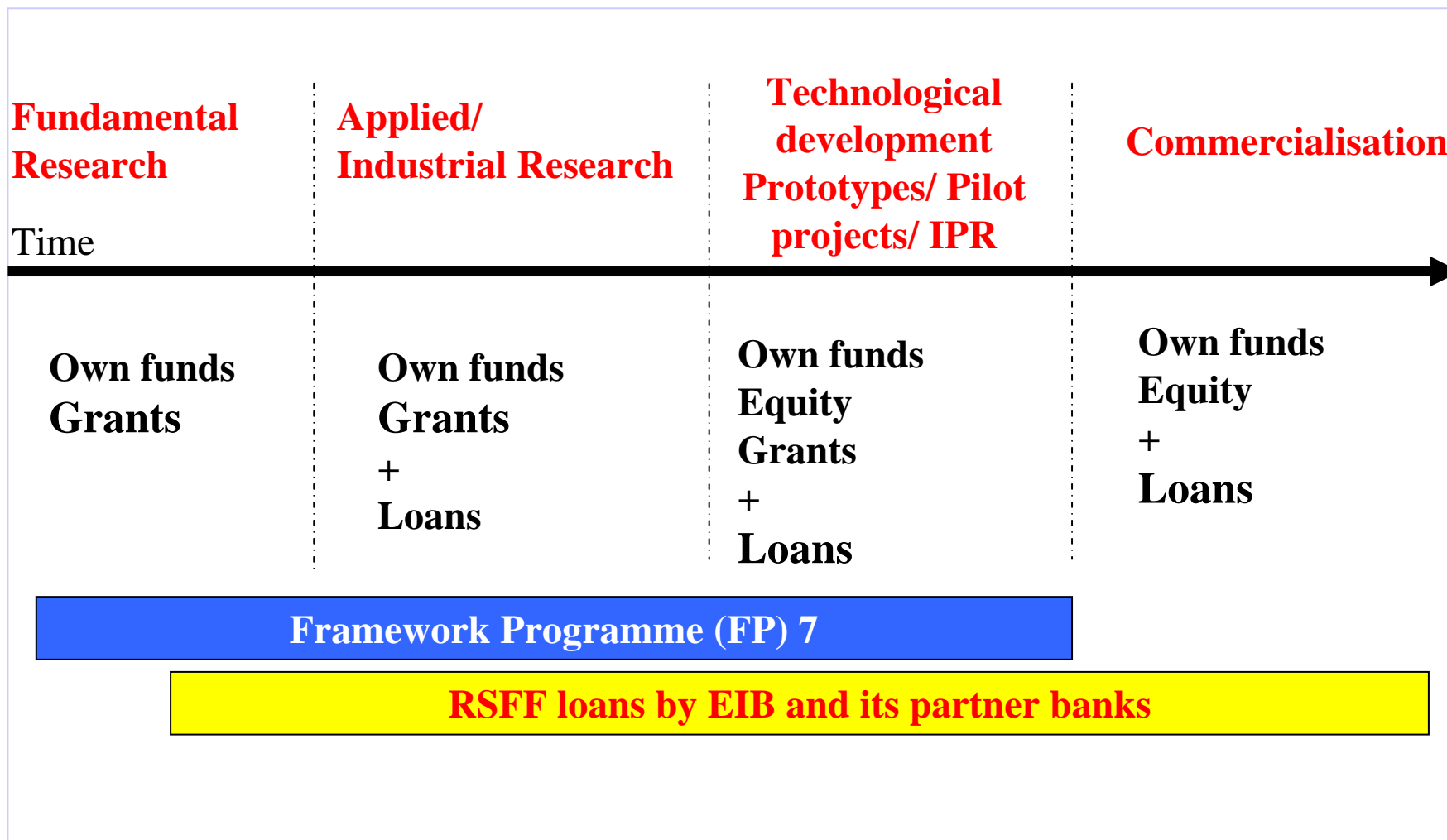
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RSFF approach

Loans for R & D





- Provide loans for riskier but creditworthy RDI projects by **risk-sharing between the European Community and the EIB**
- Generate a **leverage effect** so that the volume of extra lending by EIB and its partner banks is a 4 to 6 multiple of the Community funds provided to the facility.
- Support the financing of **innovative companies of any size and ownership** for the implementation of Research, Development and Innovation projects in line with FP 7 objectives
- Offer RSFF access to **small and medium sized projects** and companies in all MS and AC
- Support of European Technology Platforms, Joint Technology Initiatives and Eureka
- Facilitate the implementation of **European Research Infrastructures (Capacities SP)**



RSFF approach

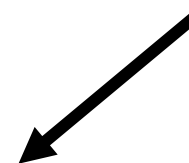
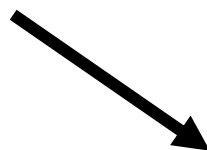


Risk-sharing EC/ EIB and mobilisation of RSFF finance

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)

EIB sets aside, on average, **20%**
of the volume of each
individual loan **for risk coverage**
(provisions & capital
allocations)



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

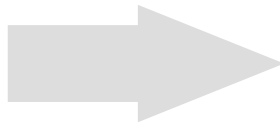


RSFF implementation

Beneficiaries of RSFF financing



- Mid-Caps and large corporates (typically unrated / sub investment grade / turnaround situations)
- SMEs
- Research Institutes
- Universities
- Special Purpose / Project Companies
- Research Infrastructure promoters



Any size and ownership

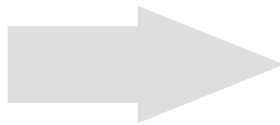


RSFF implementation

Eligible project cost



- Project capital expenditures in tangible assets.
- Intangible assets:
 - Research staff cost
 - Incremental working capital requirements
 - Acquisition of Intellectual Property Rights



**Multi-annual R&D budgets (typically 3-4 years)
Financing up to 50% of total cost,
except particular cases in line with
EIB strategic orientations
(i.e.: environment, renewable energies; ...)**



RSFF implementation

RSFF products



- Corporate Loans (senior / junior)
- Guarantees
- Project Finance (limited/non recourse)
- Mezzanine Loans
- Risk Sharing Facilities with banks
- Other structured products



RSFF implementation

Financing terms



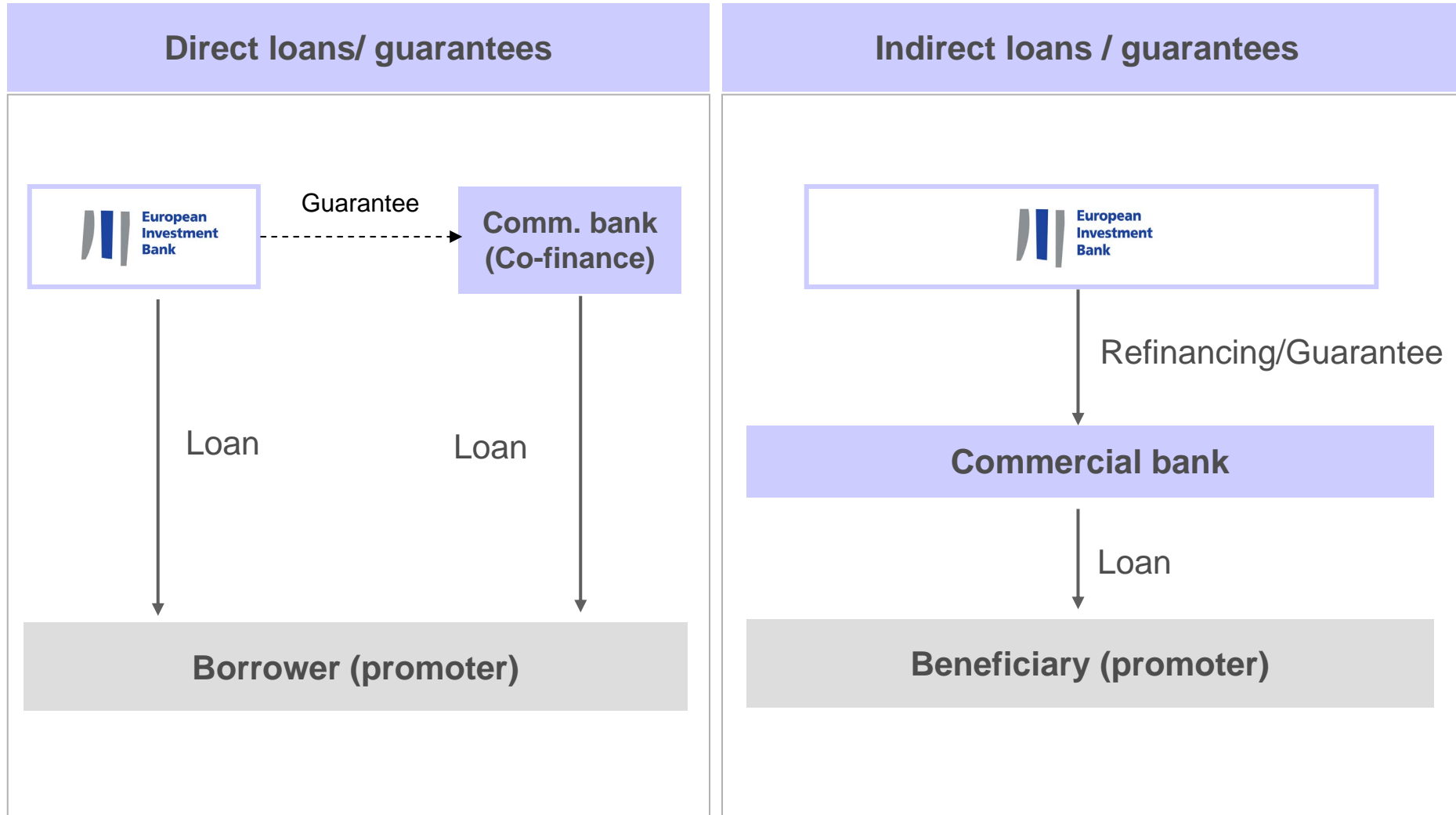
- Medium and long term financing
- Minimum size per loan: > EUR 7.5m (for smaller loans EIB makes available Risk-Sharing Bank Facilities with its partner banks)
- Project assessment : eligibility, techno-economic and financial viability
- Pricing: market-rated, non-subsidized loans, interest rates include risk-margin according to the risk profile of the borrower/ project
- Advantage: EIB's AAA rating, not-for-profit lending policy



RSFF implementation



Access to RSFF finance – individual financing





RSFF implementation

Access to RSFF finance – Risk Sharing Bank Facilities



Risk-Sharing Bank Facility (portfolio-based) Small and medium-sized projects

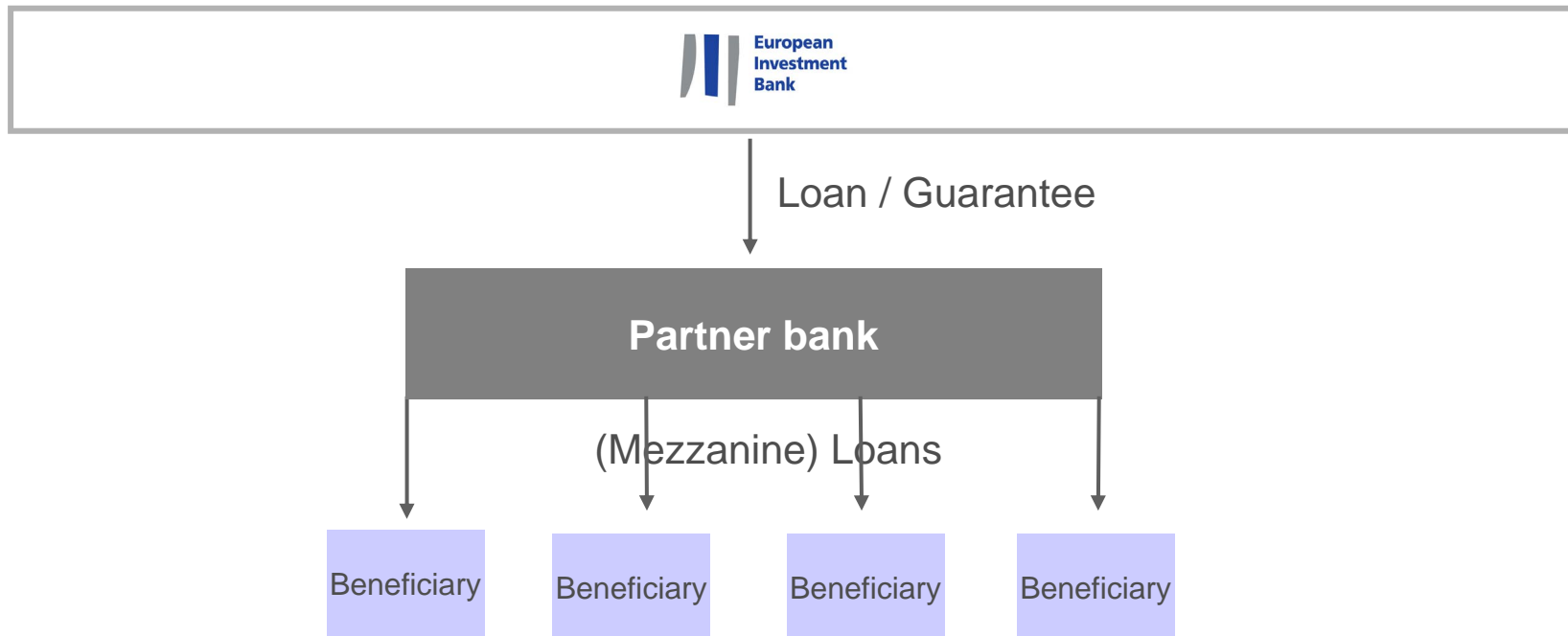




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RSFF results and portfolio

Mid-2007 until 28/02/2009

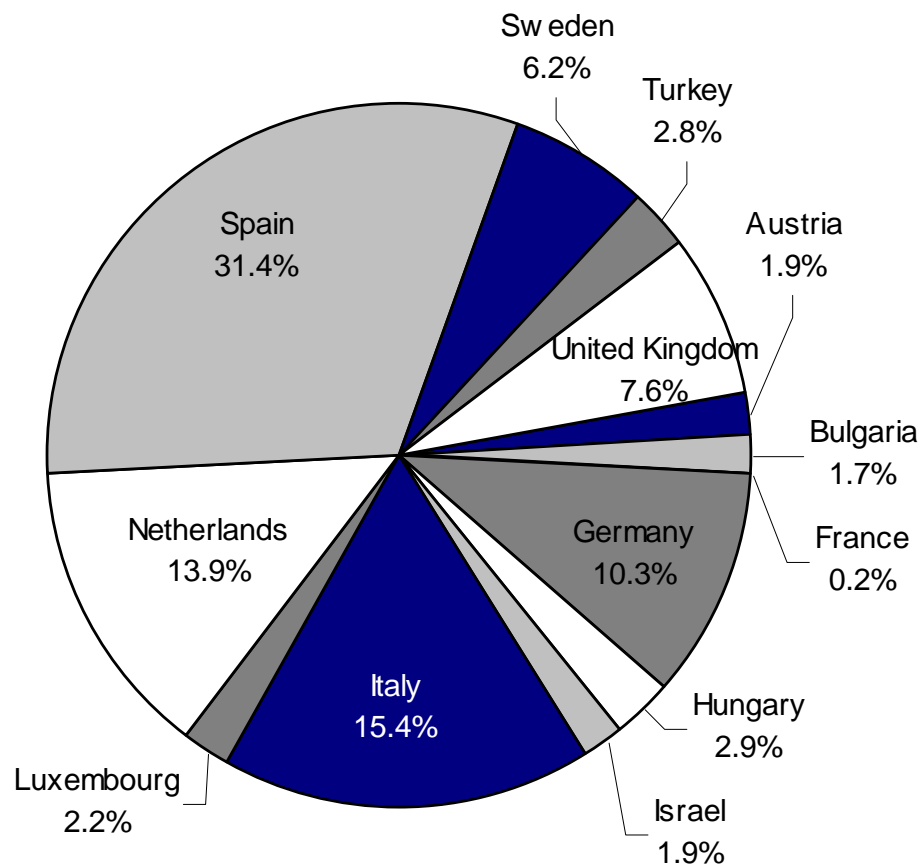


- Volumes: EUR 2.4 billion authorised by the EIB under RSFF by the end of 2008, of which 1.488 billion have already been signed (under EC window: 48 %, EIB window 52 %)
- Main sectors financed so far: renewable energy technologies, engineering and automotive, life science and ICT, plus risk-sharing facilities with partner banks
- Geographical spread: projects located in 14 countries by early 2009 (approved RSFF projects)
- RSFF financing in the form of direct corporate loans, project finance to special purpose vehicles and risk-sharing arrangements for mid-cap / SME projects



RSFF portfolio

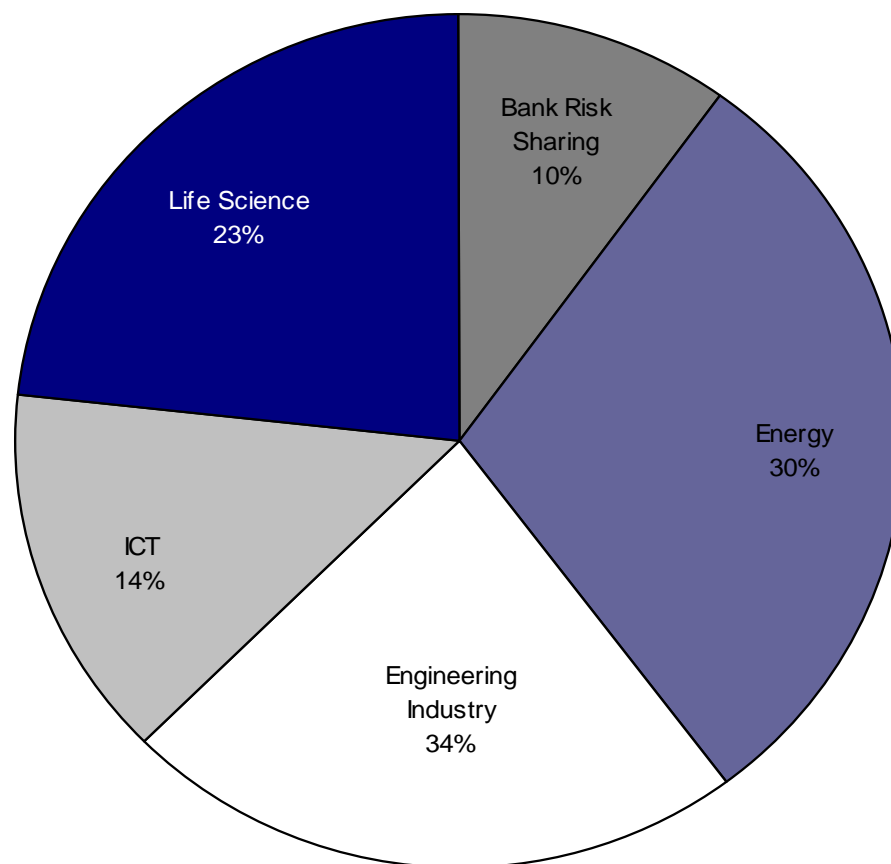
Geographical Spread – signatures until 30/11/2008





RSFF portfolio

Sectors – signatures until 30/11/2008





RSFF forecast 2009



- The current economic situation and financial market conditions are challenging:
 - (i) Sharp decline in commercial bank financing supply due to funding as well as capital constraints of banks
 - (ii) significant increase in credit spreads (higher risk premiums)
 - (iii) decreasing RDI investment due to expected economic down-turn
- However, demand for RSFF loans remains strong despite the current economic and financial crisis: EIB Project pipeline for 2009 foresees an additional volume of EUR 1,3 billion RSFF finance; EIB target for 2009 is EUR 2,5 billion of new RSFF loan approvals
- Currently, 10 new Research, Development and Innovation projects are under discussion for RSFF finance and the use of the EC contribution



RSFF project examples

Innovative anticancer treatments: helping bring 4 cancer drugs to the market



PharmaMar: Spain's leading biotech company dedicated to developing **innovative anticancer treatments from marine origin**

- Biopharmaceutical research & development in the areas of oncology and orphan diseases
- Different forms of cancer targetted, including rare cancers
- **EUR 30 million RSFF loan**

www.pharmamar.com



RSFF project examples

Cleaner engines: improving energy efficiency



- **AVL:** Austrian family-owned specialist with strong reputation for producing fuel-saving technologies for **powertrain** systems
- Offers research and development support to many major car manufacturers worldwide.
- **EUR 30 million RSFF loan** to help AVL extend powertrain R&D and research in the areas of hydrogen fuel-cell technology, nanocomposites and engine technologies

www.avl.com



RSFF project examples

Financing solar power: using indigenous renewable energy to contribute to combat climate change



- **Solucar Solar Thermal Power project** : Europe's first commercially operating power station using the sun's energy, in west of Seville (Spain)
- **EUR 50 million RSFF loan** to further develop a large scale application of Concentrating Solar Power (CSP) technology, generating electricity without greenhouse-gas emissions
- Field of mirrors to concentrate solar radiation on a thermal receiver

www.solucar.es



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Summary

RSFF in a nutshell



- RSFF is a **new and innovative instrument supported by FP 7** to provide EIB loan funding for more investment in R&D and Innovation
- RSFF finance can be used complementary to an FP 7 grant, instead of an FP 7 grant or for projects not involved in FP 7 but **contributing to the FP 7 objectives**
- RSFF financing is **demand - driven**, projects are supported on a “first come, first served” basis; RSFF project evaluation is made by the EIB
- RSFF risk-sharing between the EC and the EIB is an **internal procedure** and does not affect the client/ beneficiary applying for an RSFF loan; the **EC contribution** for RSFF shall support loans for **R&D investments**



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Research programmes and capacities »

Unit B.04 – « Regions of Knowledge and Research Potential »

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- Martin KOCH
- Marie-Cécile ROUILLON

http://ec.europa.eu/invest-in-research/funding/funding02_en.htm



RSFF contact in the EIB



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RSFF update



Thank you very much for your attention !