Cosme and Horizon 2020: Venture Capital Investments

DG ENTR Unit D3 – SME Access to Finance
DG RTD Unit C3 – Financial engineering
Venture Capital Investments: Why EU intervention is needed

- Continuing market failures in equity markets
- Strong decline in VC investments in Europe over the past years while risk capital investments are key to finance tomorrow’s champions
- Answering to investors increasing risk-aversion
- Providing complementarities to financial instruments implemented at national and regional level
- Objective: creation of a pan-European venture capital market (regulatory measures: European passport for venture capital funds)
Venture Capital Investments: What is proposed? (1/2)

- **Equity Facility for Growth for SMEs (COSME)**
  - Focus: growth stage
  - Final beneficiaries: growth-oriented SMEs
  - Also covering early-stage investments

- **Equity Facility for R&I (H2020)**
  - Focus: early stage
  - Final beneficiaries: innovative SMEs and small midcaps
  - Also covering growth-stage investments

- **Multi-stage funds**: contributions from COSME and H2020 on a pro-rata basis (based on a fund’s investment policy)
Venture Capital Investments: What is proposed? (2/2)

- Focus on cross-border investments
- Option for Fund-of-Funds investments to attract private investors back to the asset class (supported by both programmes)
- Possible pooling of resources with Member States
- Horizon 2020: Accompanying support measures, e.g. investment readiness schemes, awareness raising of VC firms and Business Angels, etc.
Our questions — your views?

- How best to help the VC industry become more sustainable and more attractive to private investors?
- Are funds-of-funds (FoFs) a good way to attract private investors back into the market? Should FoFs be generalist or thematic??
- What could and should we do to incentivise FoF investors or financial intermediaries?
- Should we also be looking at other sources of risk capital, such as business angels, family offices and endowments?
- How could EU level instruments best be combined with Member States’ resources, notably from Structural Funds?