



**Horizon 2020's
SMEs & Small Midcaps
Guarantee Facility for R&I
building on the
Risk-Sharing Instrument (RSI)
in FP7**

DG RTD Unit C3 — Financial Engineering

Horizon 2020

- ❑ Debt instrument for SMEs' growth and R&I
 - **SMEs & Small Midcaps Guarantee Facility for R&I (Horizon 2020)**
 - Loan Guarantee Facility for SMEs (COSME)
- ❑ Horizon 2020's facility will provide guarantees for loans over €150 000 for RDI-driven enterprises
- ❑ Succeeds and refines the current RSI pilot under FP7
- ❑ Debt instrument for large R&I projects will follow on from current RSFF under FP7
- ❑ Possible pooling of resources with Member States / regions + possible "policy-targeted" top-ups from other Horizon 2020 and MFF sources

RSI under FP7: what?

- ❑ Dedicated RSFF facility for SMEs / small midcaps
 - pilot action to pave the way for facility in Horizon 2020
 - implemented by European Investment Fund (EIF)
 - financial intermediaries (FI) selected after open call
- ❑ Uncapped guarantees
- ❑ Direct guarantees [and counter-guarantees] by EIF to FIs (commercial & promotional banks; guarantee societies ...)
- ❑ Targets RDI-driven SMEs and small midcaps
 - eligibility criteria are straightforward
 - designed with loan officers and beneficiaries in mind
 - minimal administrative burden

RSI: how?

- ❑ €25 000 to €7.5 mn per loan (or lease) for 2 to 7 years
- ❑ EIF provides 50% (**counter-**)guarantee on portfolios
- ❑ up to €60 [**80**] mn guarantee volume per FI (up to €90 [**150**] mn for FIs of same group)
- ❑ hence up to €120 [**160**] mn portfolio per FI
- ❑ guarantee fees, p.a. (*counter-guarantee fees to be determined*)
 - 0.25% for loans to SMEs of up to €3 mn
 - 1% for loans to small mid-caps and to SMEs > €3 mn
- ❑ EU (FP7) *initial* budget of €120 mn for first-loss taking; expected total loan volume up to €1.2 billion
- ❑ up to 1000 beneficiaries

RSI: who/what is eligible for a loan?

- Loan is for investments in R&D or innovation bearing a significant technology or application risk or
- Loan is to a fast-growing enterprise (>20% p.a. in growth or employees over 3 years) or
- Loan is to an enterprise with significant R&D or innovation potential
 - catalogue of criteria, of which at least one must be met

"Enterprise with significant R&D or innovation potential"

- expenditure in innovation in last balance-sheet is at least 20% of loan volume
or
- at least 90% of the loan is earmarked in the firm's business plan over the next two years for R&D/innovation expenses or investment
or
- firm has been awarded grants, loans or guarantees from EU or national RDI support schemes within the last two years
or
- firm was awarded an innovation prize within the last two years
or
- firm has registered a patent within the last two years
or
- firm has been invested in by a high-tech VC fund
or
- firm is based in a science, technology or innovation park
or
- firm received tax credits / exemptions linked to RDI investment within the last two years

RSI: state of play / outlook

- The RSI is in a solid ramp-up phase:
 - 9 applications so far by FIs from 7 countries (AT, CZ, DE, ES, IRL, IT, NL)
 - 6 already approved by EIF's Board of Directors
 - first agreement signed on 3 October
- €150 million additional EU contribution in early 2013 to:
 - scale up the existing direct guarantee facility (including better access for promotional banks)
 - extend the RSI to guarantee institutions via counter-guarantee schemes

Our questions on Horizon 2020 — your views?

- How best to optimise the way we implement Horizon 2020's "SMEs & Small Midcaps Guarantee Facility for R&I"?
- How could we optimise synergies with COSME's Loan Guarantee Facility and, together, facilitate access to finance by SMEs and small midcaps?
- How could EU-level instruments best be combined with Member States' resources, notably from Structural Funds?
- Should we consider providing capped (as well as uncapped) guarantees?