

NCP Experience Report on Access to risk finance in HORIZON 2020

based on a Meet & Exchange workshop “Access to risk finance in HORIZON 2020”,
organized in the frame of the NCP-Academy,
9th June 2016, Brussels

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1. Introduction: Why this workshop?

The 9th of June 2016 the Meet & Exchange workshop “Access to risk finance in HORIZON 2020” took in Place at the Region Molise venue of Brussels. The workshop has been organized in the frame of the NCP-Academy, addressed to the H2020 National Contact Points, with particular reference to the Access to risk finance NCPs. The event has been attended by 30 participants (please look at Annex 2)

Under the 'Industrial Leadership' pillar of Horizon 2020, the Access to Risk Finance helps companies and other types of organization engaged in research and innovation (R&I) to gain easier access, via financial instruments, to loans, guarantees, counter-guarantees and hybrid, mezzanine and equity finance. Moreover similar financial tools will be implemented under COSME and European Structural and Investment Funds.

The Access to risk finance is a political answer to the macroeconomic situation and it want to explore ways to boost growth, jobs and competitiveness through innovation, including the Investment Plan for the EU.

This workshop facilitated a view exchange among several stakeholders in order to better define:

- how the financial instruments, facilities and accompanying measures launched under Horizon 2020 can enhance access to finance for research, innovation and SMEs;
- how the interactions between these financial instruments, COSMEs and European Structural & Investment Funds (ESIF), as well as with instruments at national and local levels.

The participants strongly welcomed the opportunity for structured exchange and mutual learning on these instruments and they discovered the particular of InnovFin, builds on the success of the Risk-Sharing Finance Facility, supporting the smallest and largest R&I projects in the EU and countries associated to Horizon 2020. Based on the outcome of the workshop, this report summarises lessons learnt about the instruments and for the implementation of access to risk finance in order to share the findings with the entire NCP community and the EC.

As highlighted during the welcome addresses held by Jean David Malo (EC DG R&I – Head of Unit B3 – SMEs, Financial Instruments and State Aids) the NCPs have to pay a key role into the process of the access to risk finance.



2. Lessons learnt and suggestion

- *The European Investment Bank (EIB) and the European Investment Fund (EIF) play an important role in implementing each financial instrument facility on behalf of and in partnership with the European Commission, both at direct and indirect level.*
- *Need to get EIB/EIF, EC and NCPs to work together to use this unique opportunity, which is the largest budget share to SMEs ever in the history of the programme.*
- *In addition to grant support there is the debt facility. The NCP needs to facilitate the meeting between the entrepreneur and the finance provider.*
- *Disseminate good practices of successful projects (“best value for money”) is essential and the NCPs Networks represent suitable ways of communication.*
- *Synergies between H2020 and the European Structural and Investment Funds (ESIF) could be used via national/regional platforms as well.*
- *The level of awareness on financial instruments of the NCPs who attended the workshop was heterogeneous: It comes from two main reasons:*
 - *some of the participants were not finance NCPs and they approached for the first time to this matter;*
 - *even among the Finance NCPs, the level of awareness and direct experience is different according to the national landscape.*

Consequently the event follow an agenda made of presentations from several speakers followed by a Q&A session to deep the described contents.



3. Summary of speakers' interventions



a) EIF: role and purposes – Paul Samsonoff

The European Investment Fund supports Europe's SMEs by improving their access to finance through a wide range of selected financial intermediaries. To this end, design, promote and implement equity and debt financial instruments which specifically target SMEs. It fosters EU objectives in support of entrepreneurship, growth, innovation, research and development, and employment.

InnovFin

InnovFin – EU "Finance for Innovators" is a joint initiative launched by the European Investment Bank Group (EIB and EIF) in cooperation with the European Commission under Horizon 2020.

InnovFin consists of a series of integrated and complementary financing tools and advisory services in order to support investment from the smallest to the largest enterprise.

This instrument is available across all eligible sectors under Horizon 2020, in EU Member States and Associated Countries.

➤ InnovFin SME Guarantee Facility

It will be deployed by eligible local banks, leasing companies, guarantee institutions, etc. which are selected after a due diligence process following the launch of a Call for Expression of Interest. Once selected by EIF, these local partners act as financial intermediaries. The EU and EIF allow the provision of more debt financing to innovative SMEs and Small Mid-caps (up to 499 employees).

Applications have to satisfy at least one of the innovation eligibility criteria.

➤ InnovFin SME Venture Capital

InnovFin SME Venture Capital was created to support early stage enterprises, including companies in their pre-seed, seed, and start-up phases. Eligible applicants in particular commit to invest at least 50% of the

fund's investable amounts into enterprises in the early stage, established and operating in one or more Participating Country.

b) SME Initiative in Spain – Luis Guerra, CDTI

SME Initiative was launched in Spain on 26 January 2015. It is co-financed by the Kingdom of Spain, the European Commission and the EIB with the EIF managing the scheme on behalf of the different contributors.

The Kingdom of Spain's contribution of part of its European Structural and Investment Funds (ESIF), substantially supported by 16 Spanish regions, amounts to up to EUR 800 million and is expected, together with the resources from the other contributors, to generate at least EUR 3,200 million of SME financing in Spain over the next few years.

EIB-EIF selects the intermediaries, leads the transactions and co-fund the initiative.

c) The Implementation of EFSI: a national example – Christian Dubarry – BPI France

Bpifrance leads a consortium constituted by French ARF and NCP.

Among their activities there are:

1. Information and training to business support networks (EEN, clusters, consultants...)
2. Information to commercial private intermediaries (equity investors, commercial banks)

NPBs (National Promotional Bank) have an in-depth knowledge of their national markets and they are invited to contribute to the implementation of EFSI through:

- Implementing EC/EIF financial instruments for SMEs (SME Window)
- Setting up of investment platform
- Participating actively to the European Investment Advisory Hub (EIAH)
- Publishing and diffusing information about EFSI

In particular, Bpifrance's involvement in the IPE in 2015 and the financial contribution to the IPE in the same year was 737 M€. The 1st transaction approved by EIF under the Juncker plan was in May 2015 and Bpifrance has efficiently rolled out the InnovFin facility, leading to a smooth implementation and a very good utilization of the product.

Important result: Thanks to InnovFin, Bpifrance has already supported more than 700 innovative companies (Target = 1245 companies).

Bpifrance is currently applying for an increase of its InnovFin portfolio to continue financing innovative SMEs & small Mid-caps at favourable conditions.

An additional 1790 companies are expected to be included in the InnovFin portfolio following this increase.

d) National Contact Point for Financial Instruments of the EU Programmes - Michal Gorzelak, Polish Bank Associates

Polish Bank Associates is a self-government organization of banks, established in 1991, founded on the Chambers of Commerce Charter.

Since 2014 NCP for Financial Instruments of the EU Programme Operates within the Polish Bank Association; the services provided are free of charge, throughout the country. In the Polish case

NCP provide support in the area of financial instruments of all EU programmes, ensuring support for

entrepreneurs, for financial institution, for regulators and business environment, with confirmed quality results.

➤ IMPULS programme 2016-06-15

Polish initiative for micro-entrepreneurs (incl. self-employed) that are financially excluded. If a client is rejected by the bank scoring system, client is transferred to loan fund, by client's permission. Loan fund is providing financing

- more expensive, but accessible (and available)
- gives individual approach, more attention, advisory services etc.

In this way client builds his credit history and gets bankable & able to access to the general financial market.



e) Financial instruments under ESIF: how to make best use of them - Thomas de Bethune, EC DG Regio

Financial Instruments (FIs) transform EU resources under the European Structural and Investment Funds (ESIF) into financial products such as loans, guarantees, equity and other risk-bearing mechanisms. These are then used to support economically viable projects which promote EU policy objectives.

FIs aim to put EU funds to good and efficient use, ensuring that grants are complemented by other financial products so that EU funding can be used time and time again in a revolving fashion. FIs can be combined with technical support or guarantee/interest rate subsidies.

The EU Member States who receive funding under the ESIF have a national body known as the Managing Authority (MA) which oversees the use of the available resources. MAs use ESIF allocations and place them in FIs through a Fund of Funds or a financial intermediary from which eligible projects can be financed.

FIs help mobilise additional public-private co-investments and provide a variety of incentives to better project performance. They have been used for financing Structural Funds investments since the 1994-1999 Multiannual Financial Framework (MFF). Their importance increased during 2007-2013 and they now represent around 5 % of total European Regional Development Fund (ERDF) resources. They are expected to play an even stronger role in the 2014-2020 programming period. The main benefits of FIs can be summarised as follows:

Revolving nature of funds: Member States place part of their ESI Fund allocations in an existing or newly-created FI. The FI finances projects and when it is repaid by the promoter the FI reinvests the funds plus the interest into other projects.

Leverage effect: FIs attract public/private investors given the lower risk and long-term nature of projects. This increases the amount of money available for financing, as is the case for JESSICA Urban Development Funds (see examples below).

Expertise: Public institutions using FIs benefit from the financial expertise of the EIB Group and other administrating financial intermediaries. Technical assistance can also be financed; combining loans, grants and technical assistance in the same FI is possible.

Incentives for better performance: The repayable nature of FIs means that projects funded through them must prove themselves to be more financially-sound than grant-financed ones. The flexibility and financial accountability rules set out in the 2014-2020 MFF offer more control over the resources.

Move away from grant-dependency: A (total or partial) switch to FIs offers projects a more sustainable and innovative way of financing rather than the traditional dependence on grants. Get slide of financial instruments: centrally managed versus shared with MS.

Some instrument to facilitate the awareness of this opportunities are already existing: for instance, fi-compass is a unique platform for advisory services on financial instruments under the European Structural and Investment funds (ESIF) and microfinance under the Programme for Employment and Social Innovation (EaSI).

fi-compass is provided by the European Commission in partnership with the European Investment Bank.

f) Financial instruments: a concrete example – Andrea Benassi, ICCREA Holding

ICCREA is the second level bank of the Italian co-operative credit system which is the reference bank for mSMEs. The group exploits Sme Guarantee Facility, not only because of the highly decreased interest rates, but for other benefits such as allow banks with excess liquidity to finance without charge of capital; more structured forms of co-operation. In this sense ICCREA cooperates closely with APRE. An indicative and effective example is given by the SME Instrument in the frame of Horizon2020.

A good example of cooperation with NCPs has been showed.

In Italy APRE signals the most virtuous companies to ICCREA (and other banks), such as those companies that have passed Phase 1 of the SME Instrument. The objective is to further strengthen the financial sustainability of the company project. Those filtered companies spend 2 days in the bank and they completely reworked their balance sheet in view of the Phase 2 submission! The outcome of this process might be a letter of intent from the bank to be enclosed in the company's Phase 2 application.

Another example of cooperation between NCPS and the world of financial intermediaries came still from Italy. APRE uses to organize meetings addressed to the Phase 1 selected companies who are going to submit a Phase 2. In some of those meetings a number of financial intermediaries (such as ICCREA) have been invited in order to learn from the companies experience and start exploring the opportunity to provide them with financial support.

g) ACCESS4SMES project – Gianluigi Di Bello, Antonio Carbone, APRE

At the end of the day, APRE briefly introduced the new ACCESS4SMES project grouping the network of SME and Access to risk finance National Contact Points.

The main objective of this action is to empower the network of National Contact Points (NCP) for Small medium-sized enterprises (SME) and Access to risk finance (ARF) under Horizon2020, by promoting a systemic service and knowledge provider for SMEs, industry and ARF community. Such knowledge and service provider will include collaboration and networking with relevant networks in thematic areas across the three Pillars of Horizon 2020, as well as networks focusing on SMEs such as the Enterprise Europe Network - EEN. Special attention will be dedicated to strengthening the knowledge of less experienced NCPs from Member States (MS) and Associated Countries (AC) in order to deliver professional cross borders know-how including the EU, National and regional level The Network will address the real needs of European SMEs and industry, notably newcomers, established in the MS and AC with a view on stimulating, encouraging and facilitating a more effective participation of European companies into the several funding opportunities included in Horizon 2020. In this sense, synergies with the NCP Academy will be certainly fostered.

Annex1 - Workshop agenda

09:30 Registration

10:00 Welcome addresses

- Jean David Malo, European Commission DG R&I – Head of Unit B3 – SMEs, Financial Instruments and State Aids
- Antonio Carbone, APRE Italy – NCP Academy, NCP SMEs and Access to risk finance Moderator of the Workshop

10:30 1st Session: Access to finance - the strategic framework

An in-depth-overview on the new Investment Plan recently launched by the European Commission, with particular focus on the European Fund for Strategic Investments – EFSI and its newly established functionalities. Which opportunity and which role for National Contact Points? The aim of this session will be also to enhance an exchange among European Commission, European Investment Bank, European Investment Fund and Access to risk finance National Contact Points on possible synergies and cooperation possibilities.

New Financing Opportunities for Innovative Enterprises and Investors and new chances to Supporting investment in the real economy

Paul Samsonoff, European Investment Fund - EIF

Financial instruments under ESIF: how to make best use of them

Thomas De Bethune, DG Regional and Urban Policy – European Commission

11:45 2nd Session: the National Contact Points and their national landscapes

The experience from National Contact Points on how to promote and access to financial instruments offered at national and regional level. How the NCPs ensure their support experience in supporting financial intermediaries from all groups, entrepreneurs, business support institutions, policymakers?

The SME Initiative : a national example

Luis Guerra, CDTI Spain

The implementation of EFSI: a national example

Christian Dubarry – Bpifrance

Support for implementation of financial instruments at national level

Michał Gorzelak - Polish Bank Association

12:30 Lunch break

End of the 2nd Session

14:30 3rd Session: best practices!

This session aims to delve into details on how financial intermediaries and supporting initiatives operate at supporting of companies. A practical approach will be followed in order to highlight selection criteria taken into account as well as to point out how do the different NCPs actually cooperate with national/regional financial intermediaries

Success case 1: InnovFin SME Guarantee Facility

Andrea Benassi, ICCREA Holding – RSI

Success case 2: support for innovative entrepreneurship

Myrna Hausséguy - Youssef Sabbah, E-unlimited

16:00 Conclusion

Annex 2 – List of Participants

LastName	FirstName	Organization
Carbone	Antonio	APRE
Bajdor	Gyöngy Katalin	NKFIH
Baltov	Milen	Burgas Free University
Benassi	Andrea	ICCREA Holding
Bidmon	Marcus	FFG
Büyükkara	Mustafa	TÜBİTAK
De Bethune	Thomas	Dg Regio EC
De Bin	Giorgio	CBE
Di Bello	Gianluigi	APRE
Dubarry	Christian	BPIFrance
Duda	Michal	IPPT PAN
Fazenda	Daniela	impulse.brussels
Ferlaino	Francesco	APRE
Glogowski	Maribel	UK Research Office (UKRO)
Gorzalak	Michal	NCP for Financial Instruments of the EU Programmes
Guerra	Luis	CDTI
Hartmann	Patrick	DLR Projektträger
Holmberg	Elina	Tekes
Ilves	Margit	Estonian Research Council
Krutel	Marta	IPPT PAN
Kull	Ene	Enterprise Estonia
Lambkin	Imelda	Enterprise Ireland
Malo	Jean David	European Commission
Marques	Alexandre	GPPQ (FCT/ANI)
Matalon	Sharyn	ISERD-MATIMOP
Mazzon	Enrico	APRE
Mil-Homens	Joao	GPPQ
Mongirdas	Viktoras	MITA
Pascu	Adrian	ANCSI

Puente Gonzalez	Ignacio	European Commission
Samsonoff	Paul	EIF
Vlkova	Michaela	Technology Centre ASCR
Watkins	Jane	InnovateUK