

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Framework Operation, Innovation and Digitalisation Guarantee

Type of approval: Framework Operation

Type of Financial Intermediaries: primarily commercial lenders (typically banks and leasing companies). National promotional institutions providing lending, on-lending or guarantees as well as alternative lenders.

Type of Final Recipients: SMEs (including Micro Enterprises) and Midcaps (small midcaps).

Country(-ies) of implementation of the operation: Via this Framework Operation, EIF expects to be able to achieve a relatively broad geographical coverage across Member States.

Short description of the financing or investment operation: Framework Operation for Sub-Projects targeting innovation driven SMEs and small Mid-Caps as well as companies pursuing their innovation and digitalisation activities. Consequently, through portfolio guarantees, it aims to enhance access to finance of target final recipients as well as support the uptake of digital technologies and digital transformation of enterprises.

Additionally, the Sub-Projects will target also investments to:

- enhance the transfer and research to the market,
- support scaling up of innovative companies, deployment of innovative solutions leading to new or substantially improved products, processes, services; production or delivery models and organizational and business models
- integration of digital technologies in business models and development, supply chain management, customer relationships, cybersecurity.

The intervention under InvestEU builds on the previous European Commission guarantee programme managed by the EIF, namely the InnovFin SMEG. InnovFin SMEG was a key financial instrument in 2013-2020 MFF designed to support financing of innovative SMEs and Mid-caps by providing risk protection to financial intermediaries in line with the objectives of the EU's Horizon 2020.

Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

Item 5 of Annex II of the InvestEU Regulation:

research, development and innovation

Item 6 of Annex II of the InvestEU Regulation:

the development, deployment and scaling-up of digital technologies and services, especially digital technologies and services, including media, online service platforms and secure digital communication, that contribute to the objectives of the Digital Europe Programme.

Item 7 of Annex II of the InvestEU Regulation:

¹ This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

financial support to entities employing up to 499 employees, with a particular focus on SMEs, and Small mid-cap companies.

Additionality shall be deemed to be met in all those cases where a financial intermediary originate final recipient transactions with reduced pricing conditions and which carry a (typically) higher risk profile. Intermediaries will implement financing solution in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website (e.g. bespoke financing arrangements, targeting excluded segments, industries or geographies, etc.).

Additionality may also be achieved via the application of any of the following items, as per Annex V of the InvestEU Regulation:

Item (a) of Annex V A (2) to the InvestEU Regulation:

Support through subordinated positions in relation to other public or private lenders or within the funding structure

EIF expects, in certain instances, to support financial intermediaries in originating final recipient transactions which are subordinated debt transactions. This type of debt financing is expected to improve the capital structure and solvency position of targeted final recipient.

Item (b) of Annex V A (2) to the InvestEU Regulation:

Support through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources

EIF expects to support financial intermediaries in originating final recipient transactions (debt financing) which meet at least one of the following **enhanced access to finance** measures:

- a) Reduction/limitation of collateral requirements;
- b) Reduction of cost of financing;
- c) Reduction in down-payment in respect of Final Recipient Transactions;
- d) Increase in financing volumes;
- e) Support to excluded segments;
- f) Financing at longer maturities;
- g) Bespoke financing arrangements;
- h) Any subordinated debt transactions;
- i) Other enhanced access to finance measures proposed by the financial intermediary.

These measures ensure that the debt financing support provided to target final recipients is made with more favourable terms, compared to the standard credit and collection policies of financial intermediaries.

Item (f) of Annex V A (2) to the InvestEU Regulation:

Support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets

This Framework Operation is aimed at provision of support towards enhancing access to finance for target final recipients in the research, innovation and digitalisation space. These sectors represent critical drivers of productivity and long-term economic growth as well as an essential tool for maintaining EU's global competitiveness. However, a persistent investment and access to finance market gap remains, often driven by the inability for target final recipients operating in such sectors, especially in developing regions, such as CEE, to provide tangible collateral/security and thus excluded from traditional capital markets.

The following market failures are addressed by the Framework Operation:

Item (c) of Annex V A (1) to the InvestEU Regulation:

Information asymmetries, in particular in the case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities.

An EU industrial strategy, supported by a vibrant ecosystem that allows for the scaling up of its innovators and SMEs is key to countering the deindustrialisation trends in the EU and increasing long-term EU competitiveness². Smaller companies active in R&I often struggle to get funding for their investments from banks due to higher perceived risks and lack or weak type of collateral given that their main value lies in intangible assets, such as human capital and the knowledge created by R&D activities³. Innovative firms with high potential might be driven out of the market – or not enter at all because of existing barriers. Moreover, survey data confirm that access to finance is seen as a barrier to investment more by younger companies engaging in innovation activities than by established businesses⁴. Additionally, financing alternative to bank finance (e.g. lending platforms, alternative lenders etc) are especially important for SMEs, young innovative firms and startups. Furthermore, lower access to risk capital remains a constraint to scaling up of such companies.

Item (e) of Annex V A (1) to the InvestEU Regulation:

Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology.

About two thirds of Europe's economic growth over the last decades was driven by innovation. Currently, Europe underinvests in R&I compared to its main trading partners. As per the Science Research and Innovation Performance of the EU 2020 Report, the EU's overall R&I intensity is just above 2% of GDP, with a EUR 100bn per year more investment needed in order to reach the 3% target. Furthermore, at the level of regions, Europe shows high concentration and agglomeration effects (with 27 out of 266 regions accounting for half of EU R&D spending²), with no upward convergence of regions and, for some regions, a strong need to shift to an innovation-driven growth model.

EIF will be extending (counter-) guarantees to financial intermediaries, which will in turn provide debt financing to eligible final recipients. As a result, the InvestEU Guarantee will always cause that a third party financier/guarantor (i.e. financial intermediary) will provide further financing, in addition to InvestEU, to final recipients.

Financial intermediaries benefitting from the InvestEU Innovation and Digitalisation Guarantee, will originate debt transactions/issue guarantees, in line with their credit and collection policies and procedures and in accordance with the eligibility criteria of the portfolio guarantee product.

EIF provides practical guidance to financial intermediaries in order to ensure terms and conditions of the guarantee are met and to facilitate the deployment and ramp-up of the portfolio. This may take the following forms:

- Ad hoc assistance (e.g. product structuring, monitoring, reporting, eligibility checking, etc.);
- Dedicated Webinars for participating Financial Intermediaries
- Advice and guidelines provided during or after EIF's desk or physical monitoring visits;

² [Science, Research and Innovation Performance of the EU 2020 \(SRIP\) - Publications Office of the EU \(europa.eu\)](#)

³ (Hall and Lerner, 2010; Brown et al., 2012)

⁴ European Commission (2018), Flash Eurobarometer 459

- Formal capacity building and advisory services under the InvestEU Advisory.

The scale of financing expected to be made available by the financial intermediaries to final recipients (i.e. leverage) has been estimated indicative as follows: (i) c. 12x for capped guarantees, (ii) c. 5.7x for uncapped guarantees.

The Sub-Projects aim at providing other benefits for the final recipients such as more affordable pricing, longer maturity, contribution to diversification and stability of final recipient's financing, reduced collateral requirements, subordinated loans, among others.

The InvestEU Innovation and Digitalisation Guarantee builds on the extensive experience of the InnovFin SMEG, where a network of financial intermediaries supporting innovation and digitalisation has been created. InvestEU innovation and digitalisation guarantee will continue to support this network of existing Intermediaries, as well as expanding to include new counterparties (particularly in respect of digitalisation). As a result, this guarantee will play a critical role in continuation of support to innovation and digitalisation extensive companies as well as stress the importance of this policy intervention and encourage additional players to finance such enterprises. The guarantee will enable intermediaries to continue or develop a dedicated market offering to innovative enterprises.

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Excellent)

Pillar 4 - Financial and technical contribution by the Implementing Partner (Good)

Pillar 5 - Impact of the financing or investment operation (Very Good)

Pillar 7 - Complementary indicators⁵

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively 12x for capped guarantee, 5.7x for uncapped guarantee	Preliminary estimation
Multiplier Effect	Indicatively 16x for capped guarantee, 8x for uncapped guarantee	
SMEW specific Indicators		
(a) Number of enterprises supported (expected):	c. 3,000	Preliminary estimation
(b) Allocation volume dedicated to SME/Mid-Caps [%], if it can be reasonably estimated at the moment of submission:	75%.% SMEs / 25%.% Mid-Caps (Small Mid-caps)	

ESG aspects

Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.

⁵ The InvestEU methodology is used in order to calculate figures presented in this document. Such figures are of indicative nature only and presented at the level of the Framework Operation.