Innovation and PPP financing: 
The European Investment Fund

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Head of Research & Market Analysis
European Investment Fund
What is the EIF?

As part of the EIB Group, we are a unique developer of risk financing for entrepreneurship and innovation across the EU and we support EU policy objectives.

<table>
<thead>
<tr>
<th>Access to Finance</th>
<th>Dual objective: pursuing EU policy objectives as well as financial sustainability</th>
<th>Countercyclical role: addressing market needs by acting as countercyclical investor in challenging economic times</th>
<th>Working with financial intermediaries across the 28 EU countries, EFTA and all Accession countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helping SMEs, micro-enterprises and European regions innovate and grow by making finance more accessible</td>
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</table>
A few key facts about us…

“Leading provider of guarantees and credit enhancement to catalyse lending to MSMEs”

“Cornerstone investor in Venture and Growth Capital across the EU”

<table>
<thead>
<tr>
<th>Year</th>
<th>Fact</th>
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</thead>
<tbody>
<tr>
<td>1994</td>
<td>Founded and started providing <strong>venture capital</strong> to European businesses in 1997</td>
</tr>
<tr>
<td>2000</td>
<td>Majority owned by the European Investment Bank (EIB) with which we form the EIB Group</td>
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<tr>
<td></td>
<td><strong>AAA-rated</strong> We’re AAA-rated by all major rating agencies, with a <strong>strong</strong> capital base</td>
</tr>
<tr>
<td></td>
<td><strong>Shareholders</strong> 62.1% EIB, 30% EC, 25 public and private financial institutions holding the remaining 7.9%</td>
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</table>
Our Shareholders

- EIB (62.1%)
- European Commission (30%)
- Financial Institutions (7.9%)
Our objectives

“To support smart, sustainable and inclusive growth”

Filling financing gaps in Europe’s economy

Being Europe’s cornerstone venture and growth capital investor, leading catalyst to promote SME lending and microfinance

Bringing together public and private partners to support innovation and entrepreneurship

Promoting cohesion and regional and social development

Working with a broad range of financial intermediaries to provide credit enhancement and invest in venture and growth capital
Our resource providers & business counterparts

"We work with a wide range of resource providers & business counterparts to support SMEs"
Our resources

We manage resources from different stakeholders

**European Investment Bank**
- Risk Capital Resources (RCR) EUR 7bn

**European Commission**
- Competitiveness and Innovation Framework Progr. (CIP) EUR 1bn allocated to equity and guarantees
- Risk-Sharing Instrument (RSI) EUR 270m
- Progress Microfinance EUR 203m

**National & Regional Funds**
- 20 European and regional Funds-of-Funds including Germany, Portugal, Spain, Turkey, UK
- 14 Holding Funds supported by structural funds EUR 1.3bn
Helping businesses at every stage

SME Development Stages

- Pre-Seed Phase
- Seed Phase
- Start-Up Phase
- Emerging Growth
- Development

- Higher Risk
- Lower Risk

- Public Stock Markets
- Portfolio Guarantees & Credit Enhancement
- Formal VC Funds & Mezzanine Funds
- VC Seed & Early Stage
- Microcredit
- Business Angels, Technology Transfer
Public budgets must catalyse private investments!

EIF thinks PPP

Partnership

→ Public budgets must catalyse private investments!
Different forms of risk sharing

- Various forms of risk sharing to catalyse private capital
- Depending on the
  - objective
  - market segments
- Take risk but find the right balance!

Various forms of risk sharing to catalyse private capital

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Over 1 Million SMEs supported in **30 different countries**.

EUR 11.7bn in equity and guarantees commitments have **mobilised** close to EUR 70bn from partner banks, investors and other market players.

**Broad European coverage,**
- 20 Funds-of-Funds/Holding funds,
- 430 Venture and Growth Capital Funds,
- 200 banks, guarantee and promotional institutions
Support to 140 000 SMEs in Europe through a range of financial instruments provided to SME-focussed intermediaries.

A record volume of EUR 1.5bn equity commitments was achieved creating market traction and leveraging EUR 7.1bn.

EUR 1.8bn of guarantees were committed to financial intermediaries stimulating new loan portfolios and mobilising additional resources, leveraging EUR 8.6bn.

26 microfinance operations were signed and more than EUR 200m mobilised in additional support for micro-entrepreneurs.

Focus on regional development complementing existing national schemes; EUR 268 million of Structural Funds were committed to financial intermediaries for the benefit of SMEs across 14 Joint European Resources for Micro to Medium Enterprises (‘JEREMIE’) Holding Funds.
To conclude - some basic principles …

- Public money is not enough!
- Risks must be shared!
- Investment decisions should be made by market-oriented professionals!
- One size does not fit all!
Thank you for your attention!

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Further information on EIF’s Research & Market Analysis can be found here:

http://www.eif.org/news_centre/research/index.htm
Annex
How do we help small and medium-sized enterprises?
Involved throughout the business cycle

Technology Transfer Accelerator

Investing in VC funds

Investing in Growth Capital

Mezzanine

Technology Transfer
Proof of Concept
Business Angels
Seed Stage

Early Stage
Business Angels

Expansion/ Development Capital

Lower Mid-Market

Instruments to stimulate innovation, competitiveness and cross-border investment

Fill funding gap left by institutional investors

Support VC ecosystem and decrease dependency on public finance

Catalyse hybrid debt finance for growth

European Commission Resources

EIB / EIF Resources

Member States / Private Sector Resources
Bridging the gap between research and the market

R&D

University / Research Organisation

IP / Idea

Technology Transfer
“technology IP”

Spin-out

Licensing

Collaboration
(contract research)

Marketable Product
“prototype IP”

Market
Helping start-ups

“Young, innovative companies are key to our knowledge society, but they can be seen as risky and thus hard to fund.”

Working with leading venture capital fund investors, backing venture funds including the top quartile

We’re helping build an effective, liquid European Venture Capital market to support these start-ups; EIF has invested in 80% of active European Venture Capital
Supporting established businesses

"..by helping them to find the growth capital and mezzanine funding they need to keep growing"
Encouraging lending by sharing risk

We provide a wide range of products addressing SME needs and helping our intermediaries increase their lending capacity to SMEs.

Protecting
our financial intermediaries’ capital by sharing the risk they take when lending to SMEs.

We make it easier
for financial institutions to transfer credit risk to capital markets.

Providing
“First loss” guarantees, risk sharing instruments and credit enhancement
- SMEs benefit from reduced collateral requirements.
- Guarantees are often provided free of charge, which benefits SMEs.
We manage programmes for the EC that deploy SME funding to promote entrepreneurship and innovation across Europe.

<table>
<thead>
<tr>
<th>The Competitiveness &amp; Innovation Programme (CIP SMEG)</th>
<th>The Risk-Sharing Instrument (RSI)</th>
<th>Progress Microfinance</th>
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<tbody>
<tr>
<td>▪ Available budget of over EUR 600m</td>
<td>▪ Pilot project launched in Dec 2011 to support innovative and research-oriented SMEs and small mid-caps</td>
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<tr>
<td>▪ Committed budget of EUR 420m expected to mobilise EUR 7bn</td>
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<tr>
<td>▪ 62 transactions signed in 23 European countries</td>
<td>▪ 17 transactions signed covering 12 countries</td>
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<td></td>
<td>▪ EUR 203m provided by the EC and the EIB</td>
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<td></td>
<td>▪ Supporting micro-enterprises and the social economy</td>
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<td></td>
<td>▪ More than 50% committed at Oct. 2013</td>
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Helping Financial Institutions to lend more...

"..by using our own capital to credit enhance tranches of SME loans or lease securitisation transactions placed on the capital markets."

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<tr>
<th>Guaranteeing</th>
<th>Stimulating</th>
<th>Focusing</th>
<th>Committed</th>
</tr>
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<tbody>
<tr>
<td>senior and/or mezzanine risk tranches</td>
<td>lending by letting Financial Institutions benefit from our credit quality and capital treatment</td>
<td>on deals with SME portfolio exposures</td>
<td>EUR 2bn of credit enhancement transactions since the financial crisis in 2008</td>
</tr>
</tbody>
</table>
How do we help micro-enterprises?
Why are micro-enterprises so important?

Micro-enterprises are a key part of European business.

- 92% of enterprises across the EU are micro-enterprises.
- 99% of the start-ups created in the EU every year are micro- and small enterprises.
- 33% of these start-ups are launched by unemployed people.
How do we help them?

“Our toolkit helps micro-entrepreneurs and self-employed, who find it hard to get finance, to start up and grow their businesses”

**Progress Microfinance**

- Guarantees and cash products
- Bank and non-bank intermediaries
- Social impact / employment focus
- EUR 200m provided by the EC and the EIB
- Focus on EU-28
- EUR 120m committed so far in 12 European countries

**Complementary Initiatives**

- CIP Micro
- Joint European Resources for Micro to Medium Enterprises (JEREMIE)
- Joint Action to Support Microfinance Institutions (JASMINE) Technical Assistance
How do we cooperate with EU Member States & Regions?
How does EIF cooperate with EU Member States and regions?

We foster **SME development** in EU Member States and regions

<table>
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<th>Developing</th>
<th>Encouraging growth</th>
<th>Impartial advice</th>
<th>Know-how Transfer</th>
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<td>carefully targeted financial instruments for EU Member States and Accession Countries</td>
<td>particularly in less developed regions, with the help of revolving instruments rather than grants</td>
<td>that helps regional and national authorities manage their resources</td>
<td>to regions and helping develop sustainable risk capital markets at the local level</td>
</tr>
</tbody>
</table>
Delivering financial engineering with Structural Funds

Disbursement
- Up front
- Irreversible

Local Holding Fund
- Greater delegation to Local Authorities
- Management/administration are outsourced to a Holding Fund Manager which is selected by the Member State / region Holding Fund Manager

Role of the Holding Fund Manager
- Structure investments, select Financial Intermediaries
- Administer, monitor & report on investments
- Attract a syndicate of investors
- Closely collaborate with national/regional authorities
Stimulating SME Finance through Structural Funds

More than **EUR 3bn of finance** for SMEs through Structural Funds between 2007-2012

1. **Revolving instruments** (as opposed to grants) help to foster the development of SMEs in EU Member States and regions.

2. **1.1 bn assets** under management through **14 Holding Funds** across Europe both at regional and national level.

3. **EUR 3bn mobilised** for SMEs through EIF-managed Holding Funds and cooperation with 61 new counterparts.
EIF-managed Fund-of-Funds and Holding Funds across Europe

**Fund-of-Fund Activity**

<table>
<thead>
<tr>
<th>Fund-of-Fund Activity</th>
<th>Guarantee Fund (country)</th>
<th>Guarantee Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK FTF: GBP 200m</td>
<td>BIF (LT, LV, EE): EUR 100m</td>
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<tr>
<td>ERP (DE): EUR 1000m</td>
<td>DVI (NL): EUR 150m</td>
<td></td>
</tr>
<tr>
<td>LFA-EIF (DE): EUR 50m</td>
<td>PGFF (PL): EUR 90m</td>
<td></td>
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<tr>
<td>NEOTEC (SP): EUR 183m</td>
<td>MDD (GER): EUR 200m</td>
<td></td>
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<tr>
<td>PVCi (PT): EUR 111m</td>
<td>WBEDIF (AL, BA, HR, MK, ME, RS, XK): EUR 145m</td>
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<tr>
<td>iVCi (TR): EUR 160m</td>
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**Future initiatives**

<table>
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<th>Future initiatives</th>
<th>Guarantee Fund (country)</th>
<th>Guarantee Amount</th>
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<tr>
<td>LFF (LU): EUR 150m</td>
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**Holding Funds Supported by Structural Funds (JEREMIE)**

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<tr>
<td>BULGARIA: EUR 349m</td>
<td>LITHUANIA: EUR 67.1m</td>
</tr>
<tr>
<td>CALABRIA (I): EUR 45m</td>
<td>ROMANIA: EUR 100m</td>
</tr>
<tr>
<td>CAMPANIA (I): EUR 90m</td>
<td>MALTA: EUR 10m</td>
</tr>
<tr>
<td>CYPRUS: EUR 20m</td>
<td>PACA (FR): EUR 20m</td>
</tr>
<tr>
<td>EXTREMADURA (ES): EUR 10m</td>
<td>SLOVAKIA: EUR 100m</td>
</tr>
<tr>
<td>GREECE: EUR 250m</td>
<td>SICILY (I): EUR 60m</td>
</tr>
<tr>
<td>LANGUEDOC ROUSSILLON (FR): EUR 30m</td>
<td>SICILY ESF (I): EUR 15m</td>
</tr>
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