

RID window & SME window

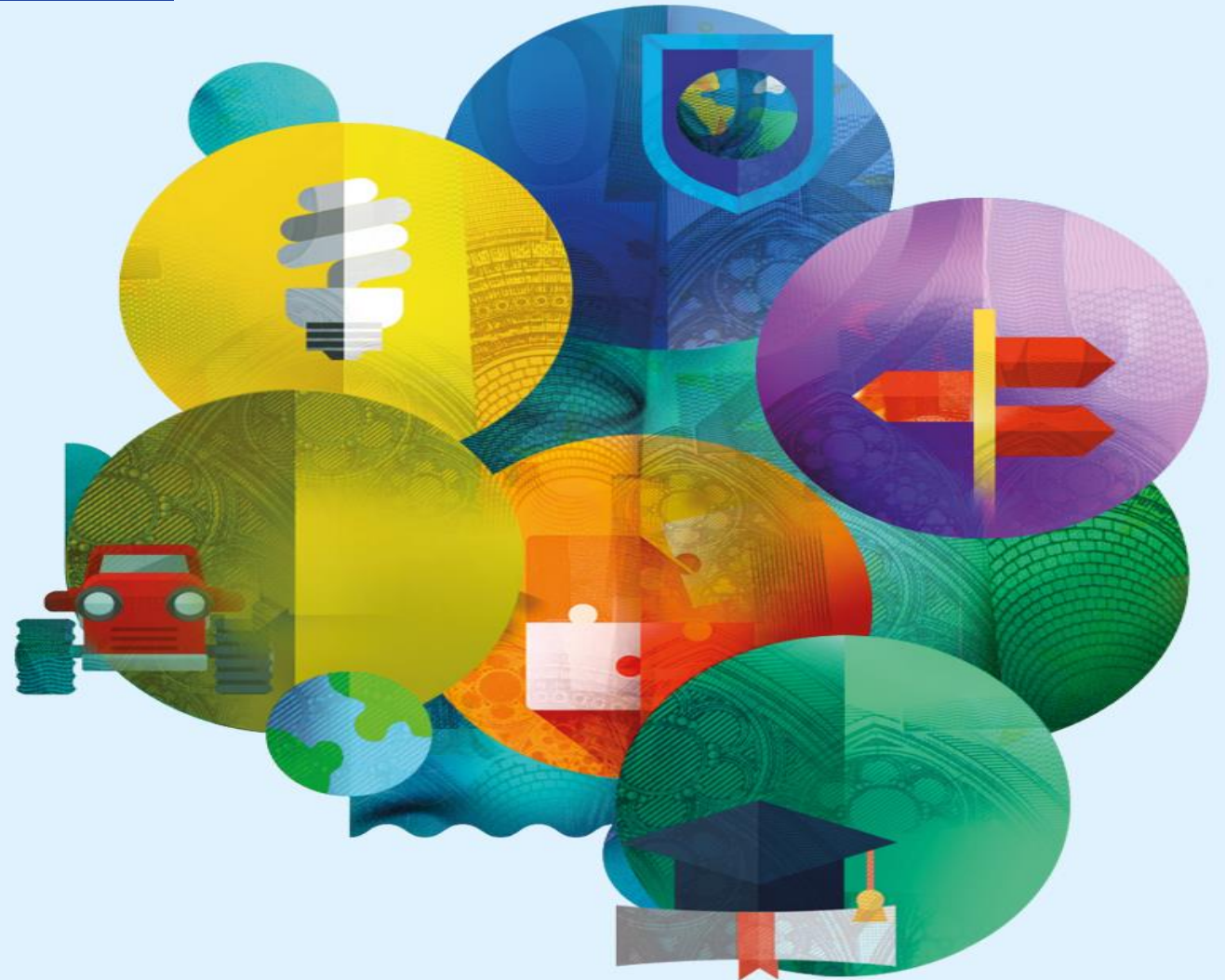
Preparing InvestEU

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RESEARCH, INNOVATION AND DIGITISATION WINDOW

Research, Innovation and Digitisation Window Policy Note

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Policy note – describes policy objectives and rationale for the financial products:

- ✓ **InvestEU for Research, Innovation & Digitisation Projects**
 - ✓ InvestEU for Mid-caps; InvestEU for large projects
InvestEU for Research infrastructure; InvestEU for Emerging innovators
- ✓ **InvestEU for the European Green Deal**
 - ✓ InvestEU for tackling climate change; InvestEU for Sustainable blue economy; InvestEU for Sustainable ICT; InvestEU for Energy demonstration projects
- ✓ **InvestEU for Health**
 - ✓ InvestEU for Health innovation; InvestEU for Health & Care systems
- ✓ **InvestEU for Strategic Technologies**
 - ✓ InvestEU for Digital technologies; InvestEU for KETs; InvestEU for Space; InvestEU for Defence

InvestEU Fund – EU compartment
Financial Product Sheet under the RID window
- Thematic Equity-type product -

Disclaimer: this is an example for a Product Sheet under the EU compartment of the InvestEU Fund. The identified sectors and priorities are indicative and will be further nuanced at a later stage. In particular, it may be decided that some areas do not require a very high coverage (up to 95% of FLP) and will be covered under the general products.

1.	Policy Window(s)	<input type="checkbox"/> Sustainable Infrastructure window <input checked="" type="checkbox"/> Research, Innovation and Digitisation window <input type="checkbox"/> SME window <input type="checkbox"/> Social Investment and Skills window
2.	Policy Objective(s)	<p>Financing and investment operations under this product shall facilitate and accelerate access to debt financing in higher EU added value policy areas where a market failure or suboptimal investment situation persists and cannot be addressed by the general debt financial product. These may include:</p> <ul style="list-style-type: none"> • Clinical development, validation and market in the area of infectious diseases, rare and complex diseases, neurodegenerative diseases and others; • Sustainable blue economy and the sustainable use of marine resources such as blue biotechnology; • Food systems, bio-based systems, and wider Bioeconomy; • Circular Economy; • Nature-based solutions, natural capital, and environmental observations; • Digital Climate technologies, including green ICTs; • Climate services and adaptation; • Highly Innovative and High Impact Strategic Digital Technologies.
3.	Product Name	InvestEU RID Thematic Product
4.	Rationale, Objectives and Expected Impact	<p>The supported investments falling under this product will contribute to the fulfilment of agreed policies and agreements at European and international level.</p> <ul style="list-style-type: none"> • International policies and agreements: <ul style="list-style-type: none"> ◦ Paris Agreement (COP21); including Mission Innovation ◦ UN Sustainable Development Goals (SDG); ◦ UN Sendai Framework for Disaster Risk Reduction; ◦ International Ocean Governance • EU policies: <ul style="list-style-type: none"> ◦ EU Strategy (2018) for long-term greenhouse gas emission reduction: "A Clean Planet for all. A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy" (Transition to a healthy planet, which is climate neutral by 2050, and operating

- **Policy steer:**
 - Policy objectives, targeted sectors & recipients, policy prioritisation
- **Delivery mechanism:**
 - Type of financing
 - Product offered to the final recipient
- **Risk sharing with the IP**
 - Coverage of the EU guarantee
 - Pricing

RIDW – Products



RID WINDOW – POLICY ASPECTS		DELIVERY MECHANISM			
Product family	Policy areas	Direct debt	Intermediated debt	Intermediated equity	Equity-type (incl. Thematic)
InvestEU for RID projects	InvestEU for Midcaps	x		x	
	InvestEU for Large Projects	x			
	InvestEU for Emerging Innovators	x			
	InvestEU for Science [research Infrastructure]	x			
	Horizon Europe priorities: health and health care, KETs, low-carbon industry, climate, energy, mobility, food and natural resources, security, space, and Horizon Europe Missions	x			
	Digital Europe priorities: such as high performance computing, AI, blockchain, cloud, cybersecurity and others	x			
	InvestEU for Transition to Sustainable Economy/Circular economy	x			
InvestEU RID Thematic	InvestEU for tackling climate change and transitioning to a sustainable planet; InvestEU for sustainable ICT; InvestEU for Sustainable Blue Economy (SBE); InvestEU for Health Innovation Investment; InvestEU for KETs and strategic digital technologies; Joint Thematic EDP Product (Joint with SIW);				x
InvestEU Midcap Venture Debt	InvestEU for MidCap Growth Finance				x
InvestEU for equity finance	Joint equity product			X (joint with SME)	
InvestEU for Health Systems (Health&Care)	Research, development and testing of innovative solutions for health and care systems and digitalisation and upscale of innovative healthcare	X (joint with Social)		X	
Co-investment scheme for gender smart investing	Co-investment scheme for gender smart investing			X [joint with SME/Social]	

RIDW general direct debt product



Policy steer

- ✓ Rationale, objectives and expected impacts: described in the Policy Note
- ✓ Targeted sectors:
 - All sectors referred in Annex II, point 5 and 6 of the InvestEU Regulation with focus on projects that can contribute to EU policy priorities as set out in :
 - Horizon Europe, including health, health and care systems, KETs, low-carbon industry, climate, energy, mobility, food and natural resources, security, space, and Horizon Europe Missions. This includes Green Deal areas corresponding to KPIs
 - Digital Europe, such as high performance computing, AI, blockchain, cloud, cybersecurity, and others.
- ✓ Targeted recipients: recipients listed in the Investment Guidelines, including:
 - SMEs – provided that the minimum amount per financing or investment operation supported by InvestEU is respected
 - Small and large Mid-Caps
 - Large corporates – high policy value added of the operation must be established
 - Research Infrastructures
 - Countries labelled as Modest or Moderate Innovators in the European Innovation Scoreboard



Delivery mechanism

- ✓ Direct financing (including co-investments and guarantees to third party financiers in line with IGs section 2.3.1) of Targeted Recipients by Implementing Partners;
- ✓ Intermediated financing - possible

- ✓ Product provided to the final recipient:
 - Loan;
 - Other: debt financing which term may include loans, guarantees, letters of credit, securities (listed or unlisted) and standby credit facilities, in each case with or without warrants or other rights attached; which may be senior, mezzanine or subordinated as further specified in the guarantee agreements.

RIDW general direct debt product



Individual operations

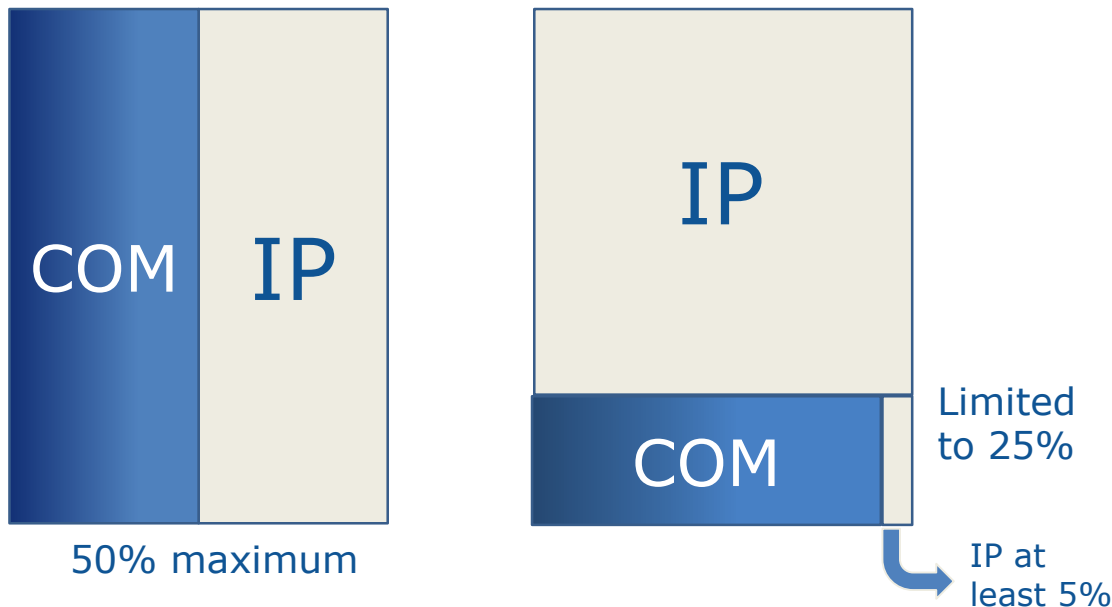
- **Pari passu basis** - the maximum exposure of the EU guarantee on an individual operation is **50%** of the financing provided by the implementing partner;
- When covering an **FLP** in respect of individual financing provided to a final recipient. The FLP cover is limited to **25%** of the overall amount of financing to the final recipient. The implementing partner must contribute **at least 5%** to the FLP.

Portfolio of operations

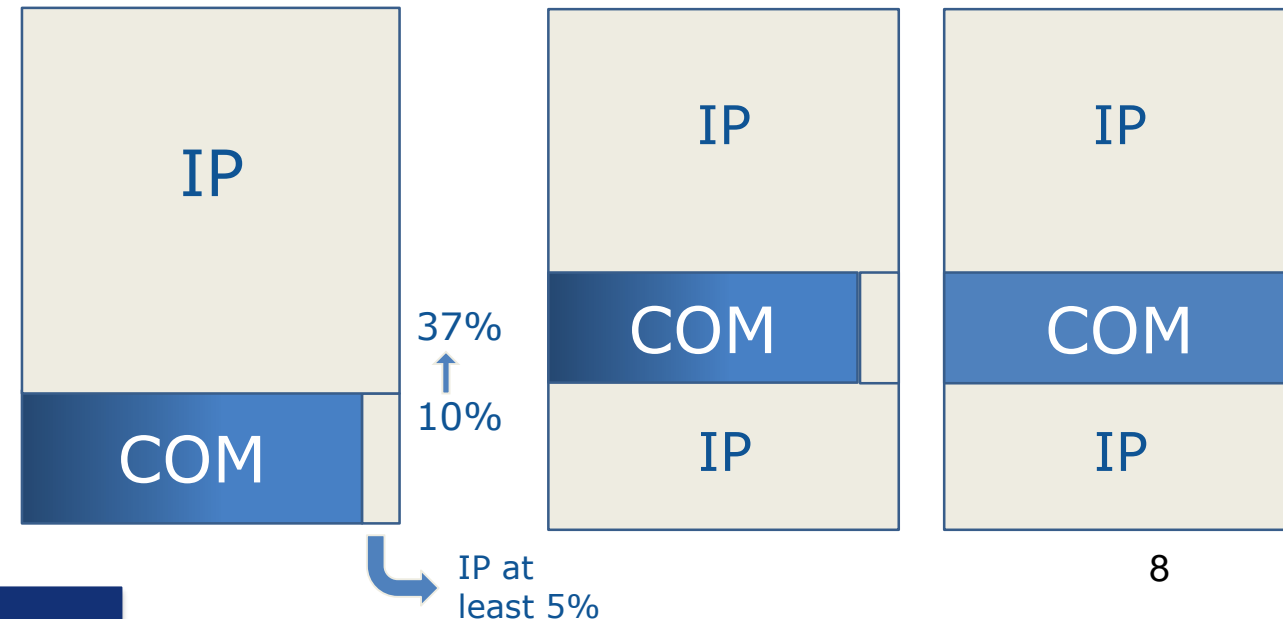
The EU guarantee may cover an **FLP** or a **mezzanine tranche** in respect of the relevant portfolio of operations financed by the IP.

Where the EU guarantee covers the **FLP**, the IP must contribute at least **5%** to the FLP. The size of the implementing partner's and the EU guarantee's contribution to the FLP would depend on the risk profile of the financing and investment operations under the guaranteed portfolio and may range from **10% to 37%** of the amount of financing to be provided by the IP.

Individual operations



Portfolio of operations



RIDW thematic equity type product



Policy steer

- ✓ Rationale, objectives and expected impacts: described in the Policy Note
- ✓ Targeted sectors:
 - Clearly defined, higher EU added value policy area where the market failure or sub-optimal investment situation cannot be addressed by general financial products
 - Higher risk profile of the operation
 - Asymmetric, limited or no risk sharing with the implementing partner
 - Ex-ante assessment of the market failure or sub-optimal investment situation is required
- ✓ Targeted recipients: SMEs and Midcaps

Targeted areas:

- Food and other parts of bioeconomy and bio-based innovation systems;
- Circular Economy and nature-based solutions;
- Climate services, adaptation and environmental observations;
- SBE for food, feed and marine biotechnology;
- Innovative enabling marine technologies;
- KETs;
- Strategic digital technologies, including climate
- Clinical development, etc.

Excluded activities:

- Renewable energy/storage.
- Exploration or extraction of gas, petroleum and other seabed mining.
- Regular tourism activities.
- Innovative marine renewable energy technologies, (covered under the Invest EDP-FM product).
- For Health Innovation, the scope will be limited to classes of therapeutics or therapeutic areas, which are currently not sufficiently attractive



Delivery mechanism

- ✓ Direct financing (including co-investments and guarantees to third party financiers in line with IGs section 2.3.1) of Targeted Recipients by Implementing Partners;

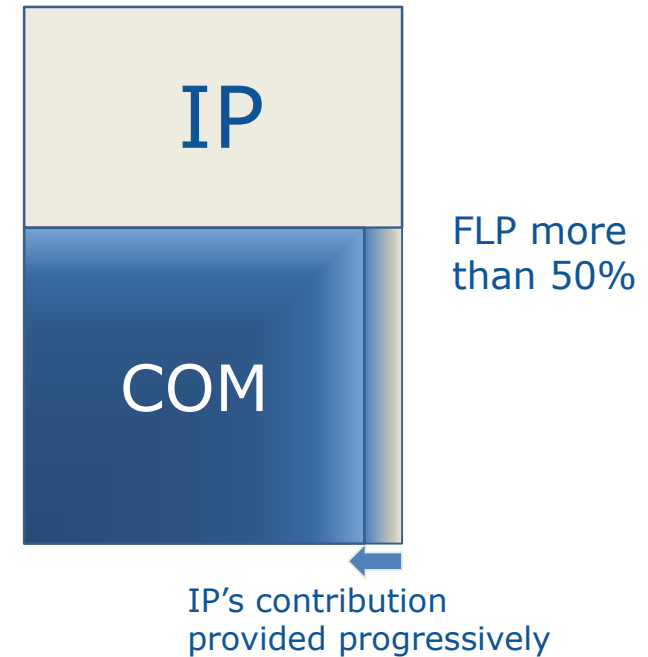
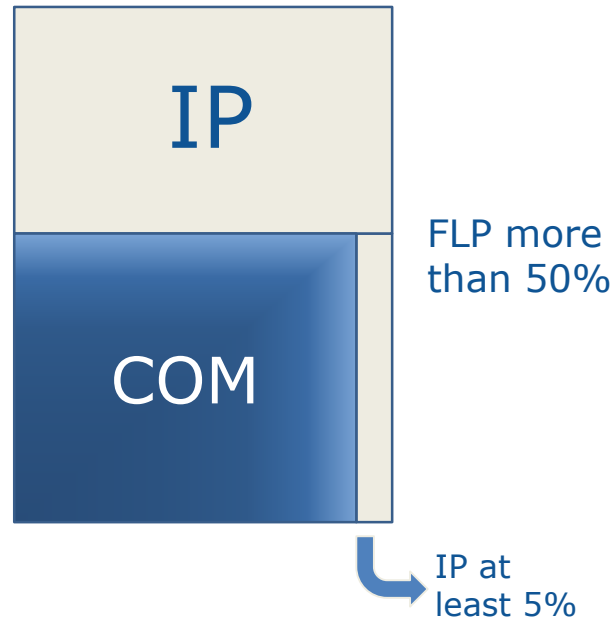
- ✓ Product provided to the final recipient:
 - Loan;
 - Equity and quasi equity.

RIDW thematic equity type product



The EU guarantee may be used to partly cover equity-type operations by the implementing partner on an asymmetric risk-revenue sharing basis. In these cases, the EU guarantee may cover an FLP in respect of the relevant **portfolio of operations** financed by the implementing partner. The IP shall contribute at least 5% to the FLP in order to ensure alignment of interest.

In duly justified cases, the implementing partners' contribution to the loss-coverage ensured by the FLP could be provided progressively, as the portfolio matures and is de-risked, through the revenues originating from the guaranteed or other portfolio(s), or through other appropriate and innovative mechanisms.



RIDW midcap growth finance product



Policy steer

- ✓ Rationale, objectives and expected impacts: described in the Policy Note
- ✓ Targeted sectors:
 - All sectors referred in Annex II, point 5 and 6 of the InvestEU Regulation and meeting the criteria of the Investment Guidelines are eligible for support.
- ✓ Targeted recipients:
 - Small and large mid-caps
 - Final recipients shall meet the innovation and digital eligibility criteria

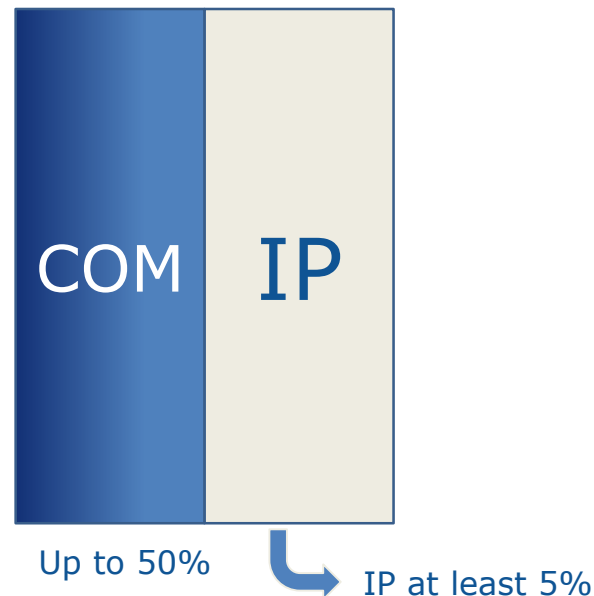
Delivery mechanism

- ✓ Direct financing (including co-investments and guarantees to third party financiers in line with IGs section 2.3.1) of Targeted Recipients by Implementing Partners;
- ✓ Product provided to the final recipient:
 - Equity and quasi equity.

RIDW midcap growth finance product



IPs have to invest on a ***pari passu* basis** into each financing or investment operation at their own risk for a share that ensures sufficient alignment of interests. The part of financing covered by the EU guarantee shall represent up to 50% of the overall financing provided by the IP in aggregate under the different financial products, and **own risk financing shall represent at least 5%** of the overall financing provided by the IP under any financial product, unless otherwise specified in these investment guidelines under the relevant policy window.





SME WINDOW



InvestEU SME Window Policy Note

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Policy note – describes policy objectives and rationale for the financial products (initial Commission plans):

- ✓ Continued market gap for SME access to finance, even though severity has reduced since financial crisis, significant disparities among Member States remain
- ✓ Limited EU resources under budgetary guarantee to be focused on areas delivering the highest impact in terms of alignment with EU policy objectives & leverage
- ✓ Two broad-based financial products for the benefit of SMEs & small midcaps planned with EIB group
- ✓ While bank-based finance is prevalent in Europe, InvestEU shall contribute to providing for more alternative sources of finance

SMEW – Products



One broad-based debt product (initial Commission plans)

Product family	Policy areas	Prioritisation method	Direct debt*	Interm. debt	
InvestEU for SME guarantee	High risk SME transactions	Generalist	50% guarantee rate	x	x
		Innovation	Modulated guarantee rate (70%)	x	x
		Digitalisation	Modulated guarantee rate (70%)	x	x
		Culture and creative sectors (CCS)	Modulated guarantee rate (70%)	x	x
		Sustainable finance and contribution to the European Green Deal	Modulated guarantee rate (70%)	x	x

*Only on portfolio of operations

Equity Product - Joint SME/RID (initial Commission plans)

Joint equity product with contribution from RID & SME window
Generalist funds investing cross-border
Funds helping portfolio companies to internationalise
Funds investing into companies in the cultural and creative sector
Funds supporting SMEs in IPOs & diversified debt funds
Thematically-focused funds (such as life science, blue economy)
Funds supporting greening of the economy
Business Angel Funds
Funds investing gender smart
National/cross-border funds focusing exclusively on geographies that are below EU median (in terms of investments made in the geographies)
Strategic technologies (such as AI, Blockchain, High Performance Computing, Defence, Space, Key Enabling Technologies)
Technology Transfer Funds

SMEW – debt product fiche



InvestEU Fund – EU compartment
Financial Product Sheet under the SME window
 - Debt product -

Disclaimer: this is an example for a Product Sheet under the EU compartment of the InvestEU Fund.

1.	Policy Window(s)	<input type="checkbox"/> Sustainable Infrastructure window <input type="checkbox"/> Research, Innovation and Digitisation window <input checked="" type="checkbox"/> SME window <input type="checkbox"/> Social Investment and Skills window
2.	Policy Objective(s)	<p>The policy objective is to improve the competitiveness of enterprises by facilitating access to and the availability of finance predominantly to SMEs and also selected small midcaps which are perceived by financial intermediaries as being high risk or lacking sufficient collateral.</p> <p>Within this target group of final recipients, enhanced support shall be provided to final recipient transactions which focus on intangible assets, engage in risky innovation or transformative digitalisation activities, and for entities in the cultural and creative sector. <i>[Please note that a sustainability criteria are under consideration].</i></p> <p>The InvestEU guarantee shall not be provided for covering a portfolio of transactions that the financial intermediary would be able to generate under its existing credit risk policy (i.e. within the existing risk appetite of the financial intermediary) or for which coverage would be available under an existing national or regional public scheme.</p>
3.	Product Name	InvestEU SME guarantee
4.	Rationale, Objectives and Expected Impact	<p>Small and medium-sized enterprises (SMEs) are the backbone of the European economy. There are over 23 million enterprises in the EU but without SMEs the EU economy would consist of only 45 000 firms. The EU's SMEs employed 93 million people in 2016, accounting for 67% of total private-sector employment and generated 57% of value added in the EU28 non-financial business sector. About 85% of newly created jobs in the EU are accounted for by SMEs.</p> <p>SMEs are heavily reliant on external sources of finance as internal funding is generally insufficient to meet their financing needs. The bulk of SME external financing is based on bank loans and leasing and financial intermediaries enabling such finance are therefore one avenue for the provision of more SME financing. Providing alternatives for such finance, which can be debt or equity-based, is important and has to be developed further.</p> <p>Following the financial crisis, higher capital requirements and the need for banks' deleveraging negatively impacted banks' willingness and ability to lend and to accept risk. This had a major negative effect on available SME bank finance across the EU. Credit standards tightened considerably and, as a consequence, SMEs experienced a credit crunch. While the situation has recovered, there are still considerable differences among Member States.</p> <p>The 2018 OECD scoreboard on Financing SMEs and Entrepreneurs notes that "new lending to SMEs depicts a more negative picture than in previous years". Growth in new SME loans in 2016 was negative in 15 out of 25 countries covered by the OECD scoreboard. The decline in new lending can be attributed to several factors, often depending on national circumstances. In some countries this can be attributed to lower demand linked to weak</p>

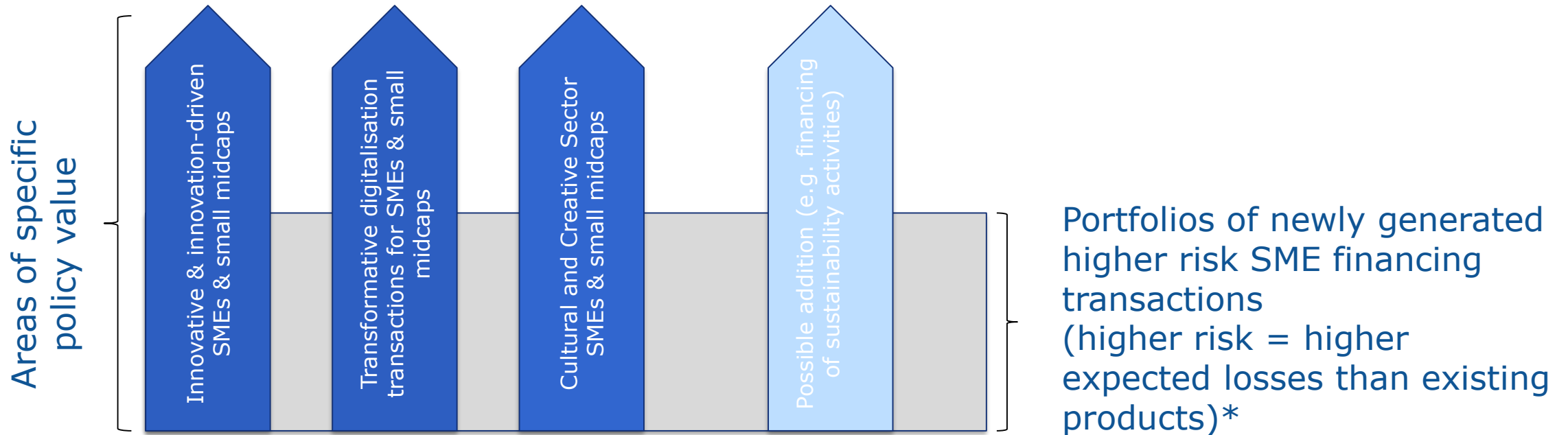
- **Policy steer:**
 - Policy objectives, targeted sectors & recipients, policy prioritisation

- **Delivery mechanism:**
 - Type of financing
 - Product offered to the financial intermediary/final recipient

- **Risk sharing with the IP**
 - Coverage of the EU guarantee
 - Pricing

SMEW debt product

(initial Commission plans)



- Eligible sectors: all sectors of the economy indicated as eligible in Annex II to the InvestEU Regulation
- Targeted recipients: predominantly SMEs, in the case of areas of enhanced risk-sharing also small midcaps shall be eligible
- Standard guarantee rate of 50%; guarantee rate for areas of specific policy value: 70%
- InvestEU to provide capped portfolio guarantee for newly generated portfolios (cap rate to be set at the level of the expected losses)

* Current option 2 approach of the COSME Loan Guarantee Facility expected to be maintained

SMEW – higher policy value eligibility criteria



- ❑ Future innovation criteria to build on existing InnovFin innovation criteria which will be reviewed and tightened, transactions will continue to cover SMEs and small midcaps
- ❑ Digitalisation criteria to be decided upon following analysis of the results of the digitalisation pilot (just recently launched under the COSME Loan Guarantee Facility)
- ❑ Criteria for the Cultural and Creative Sector coverage expected to remain unchanged, transactions will cover SMEs and small midcaps
- ❑ [Sustainability criteria – still under discussion]

SMEW – guarantee capped versus uncapped



- ❑ InvestEU to provide first-loss capped guarantees to Implementing Partners (to be set at the level of the expected losses)
- ❑ Implementing Partners will be encouraged to provide risk-sharing to financial intermediaries either on a capped or an uncapped basis, dependent on the preference of the financial intermediary
- ❑ InvestEU risk coverage to be provided for free, but IP to pay administrative charge per transaction to be included into the portfolio for risk coverage (contribution for the administration of the scheme)
- ❑ Uncapped guarantees will have to be paid for by the financial intermediary (risk-taking above expected losses to be priced + admin charge)
- ❑ Pricing of uncapped guarantees for the financial intermediary will depend on the pricing model of the Implementing Partner

SMEW – risk-sharing approach for debt



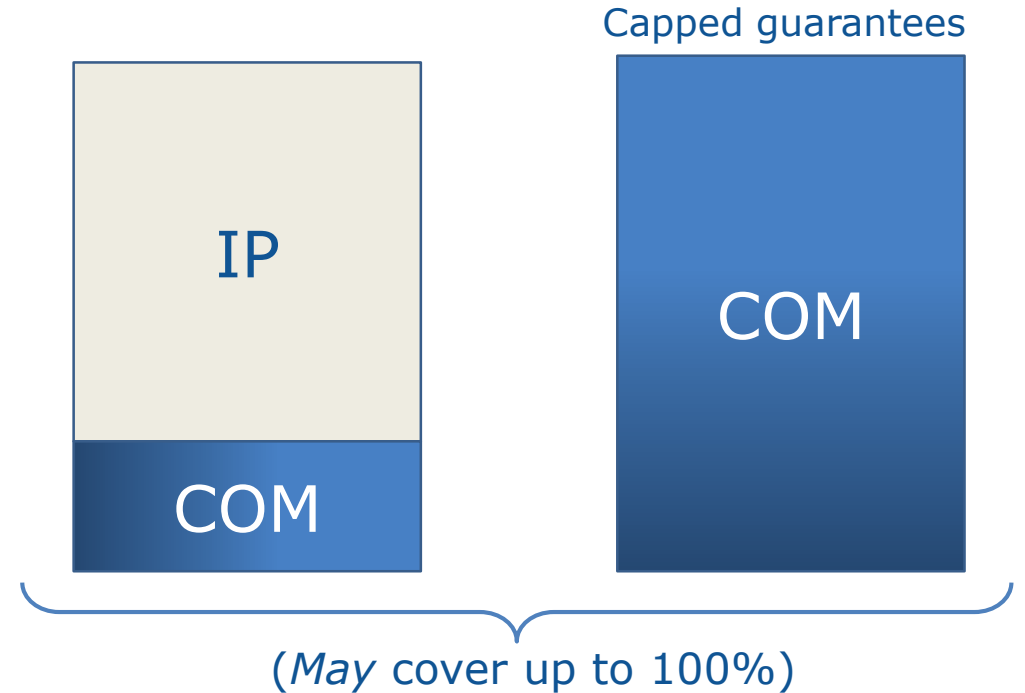
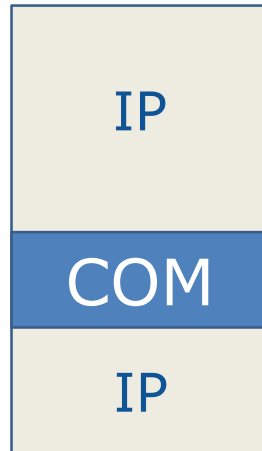
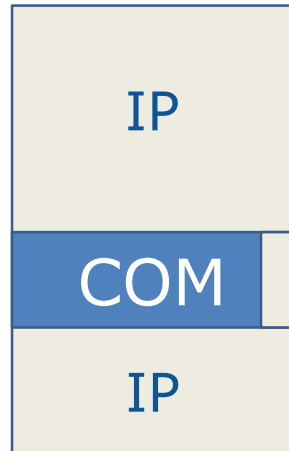
The EU guarantee may cover an FLP or a mezzanine tranche in respect of the relevant portfolio of operations financed by the IP.

In case of **direct** debt-type operations, the EU guarantee to IPs may contribute up to 50% to the FLP in respect of the relevant portfolio. Such percentage may be increased up to 70% for portfolios of transactions of specific policy value.

For the **intermediated** debt financing, where remuneration from financial intermediaries is not sufficient to adequately remunerate the risk of the financing provided by the IP, the EU guarantee may cover up to 100% of the contribution to the FLP. For such intermediated debt financing in the form of capped guarantees, the EU guarantee may cover up to 100% of the financing provided by the IP partner.



EU guarantee up to 50% (up to 70% if specific policy value)



SMEW - Joint equity product with RID window



Policy steer

- ✓ Rationale, objectives and expected impacts: described in the Policy Notes of SME & RID window
 - Generalist funds investing cross-border
 - Funds helping portfolio companies to internationalise
 - Funds investing into companies in the cultural and creative sector
 - Diversified debt funds
 - Funds supporting SMEs in IPOs
 - Thematically-focused funds (such as life science, blue economy)
 - Funds supporting greening of the economy
 - Business Angel Funds
 - Funds investing gender smart
 - National/cross-border funds focusing exclusively on geographies that are below EU median (in terms of investments made in the geographies)
 - Strategic technologies (such as AI, Blockchain, High Performance Computing, Defence, Space, Key Enabling Technologies)
 - Technology Transfer Funds
- ✓ Targeted recipients: SMEs and small midcaps



Delivery mechanism:

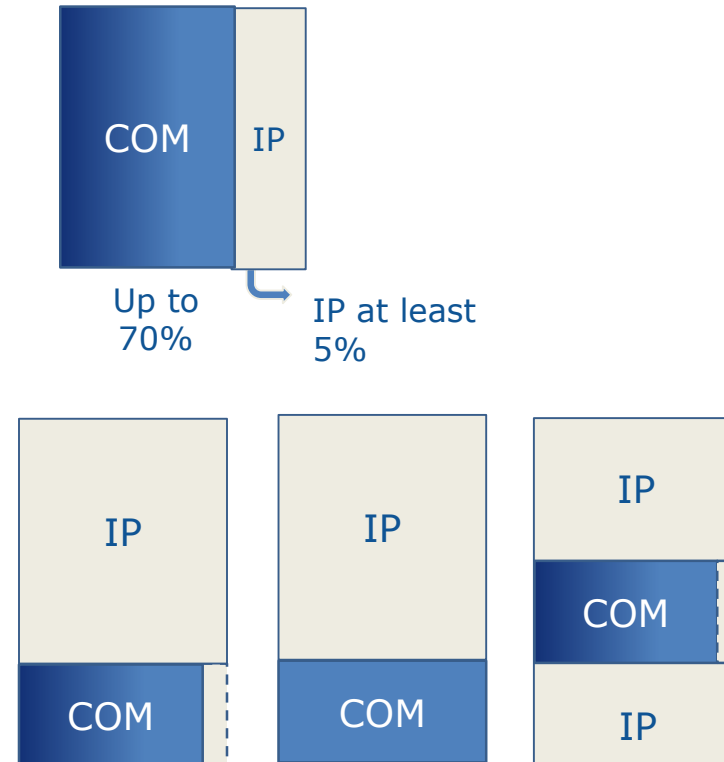
- ✓ A joint equity product with resources coming from the SME & RID window to build up a portfolio of investments into venture capital funds
- ✓ Equity support to be provided on an intermediated basis:
 - Through some form of a fund structure (no direct equity investments from the balance sheet of an Implementing Partner) either independently managed;
 - Alternatively co-investment vehicles with pre-determined co-investment criteria

SMEW - Joint equity product with RID window



Risk sharing with the IP

- ✓ InvestEU an IP on a *pari passu* basis
- ✓ The EU guarantee shall represent up to 50% or 70% of the overall financing
- ✓ Only in duly justified cases, risk sharing arrangements between IPs and the EU guarantee may be on a non *pari passu* basis





Q&A Session

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