

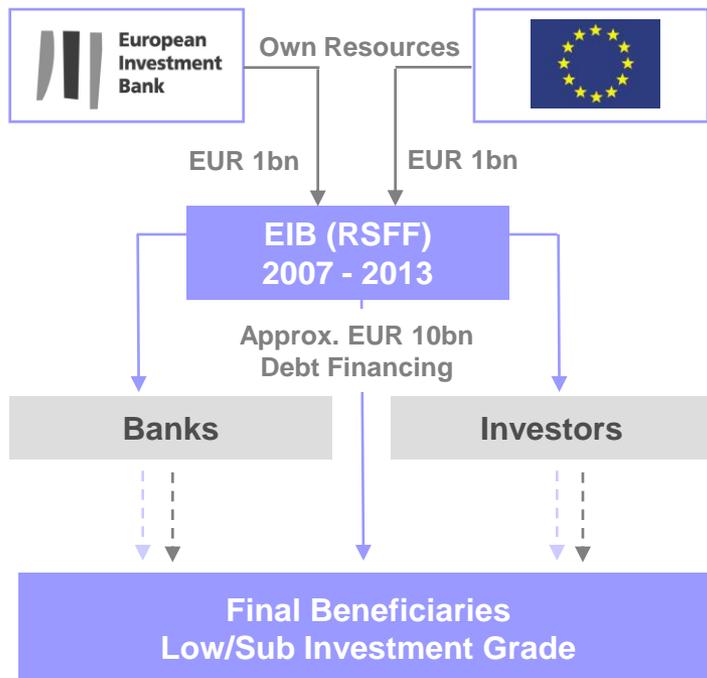


# PRESENTATION TO JASPERS CONFERENCE ON CBA GUIDELINES FOR R&D INFRASTRUCTURES

M. D'hooge

# Risk Sharing Finance Facility

A new Source of Risk Capital

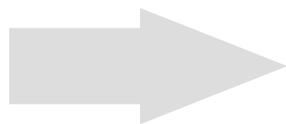


- EIB RSFF funds complement other sources of debt capital available for low/sub investment grade RDI intensive corporates
- EIB RSFF funds are highly attractive for potential beneficiaries because of:
  1. Highly attractive terms & conditions (AAA rating and non-for-profit pricing)
  2. Long maturities of up to 10 years or more
  3. Direct EIB participation of up to EUR 200m per transaction (depending on rating)
  4. Strong technology/industry expertise
  5. EIB does not sell assets on the secondary market (buy and hold strategy)
  6. No cross selling (just long-term lender)
  7. Signalling Effect: EIB as a quality stamp
  8. Debt and Mezzanine Debt Product

# RSFF implementation strategy

## Beneficiaries of RSFF financing

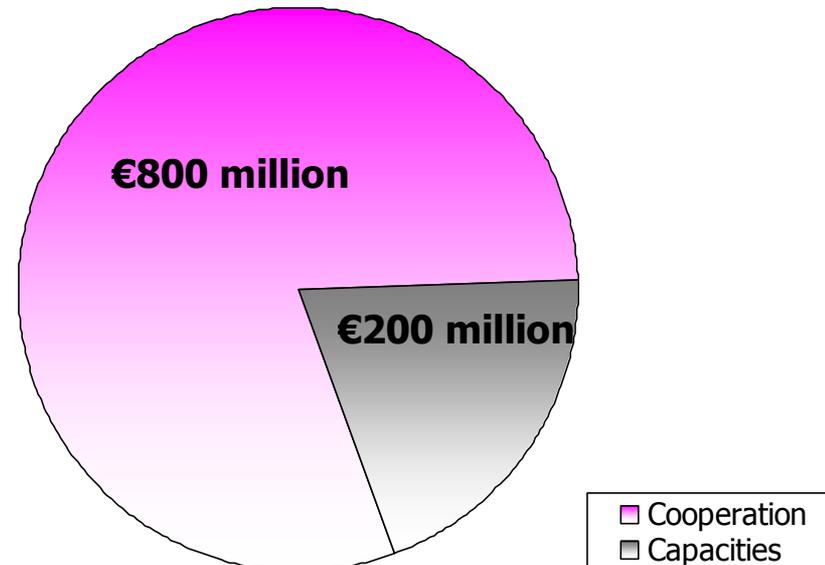
- Research Institutes
- Research Infrastructure promoters
- Universities
- Special Purpose / Project Companies / PPPs
- Mid-Caps and large Corporates (typically unrated / sub investment grade / turnaround situations)
- SMEs



**Any size and ownership**

EUR 200m of FP7 budgetary and EUR 200m EIB capital committed under RSFF for Research Infrastructures which should lever up to EUR 2 billion

- The Co-Operation Agreement has been designed in compliance with the content of:
  - EC FP7 Decision;
  - EC FP7 Specific Programmes « Cooperation » and « Capacities »;
  - EC FP7 Rules for participation;
  - Relevant Work Programmes.



- Objective of the RSFF

“an (EIB) instrument aimed at fostering investment for Europe in research, technological development and demonstration, as well as innovation, in particular in the private sector”

- Objective of the EC financial contribution

“pursuant to the FP7, the EC, in addition to providing direct financial support to participants in RTD Projects, has resolved to **improve** their **access to debt finance** through the RSFF. In accordance with the FP7 Rules, the EC financial contribution will allow for a larger volume of EIB lending and guarantees for a certain level of risk, and the financing of riskier European RTD Projects than would be possible without such Community support”

# RSFF Implementation Strategy

## Strategy Focus: Research Infrastructures (RI)

1

RDI related Sector  
Dimension

- EUR 14bn of priority RI investments endorsed by EU-27 in ESFRI Roadmap; EUR 200m of FP7 budgetary and € 200m EIB capital committed under RSFF for the financing of Research Infrastructure which should lever up to € 2 billion investment

2

Rationale for EIB  
Focus

- Strong EIB Track Record
  - EIB has supported emblematic projects such as CERN, FEL, LHC, IMEC; many universities and several Science and Technology Parks across Europe
- Large RSFF potential
  - High relevance for European competitiveness, innovation and Technology Transfer
  - Significant financing requirements, large individual operations
  - Financial sector reluctant of share political and budgetary risks intrinsic to projects
  - Universities increasingly need to borrow in own name and as part of SPV/PPPs

3

Sector specific  
implementation  
strategy

- EIB working in close cooperation with ESFRI and EIROForum
- New financial products notably **ERCF-ESFRI Risk Capital Facility** to finance under RSFF delays/shortfalls in country commitments for budgetary funding.

# Product development under RSFF

## R&D and Research Infrastructure Consortia (contd.)

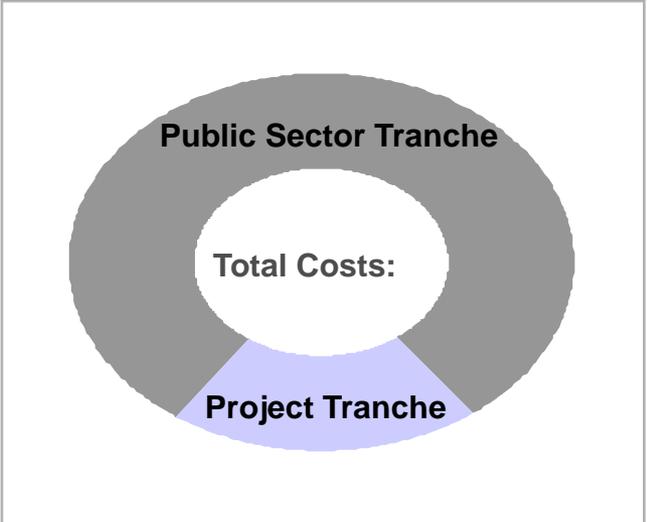
**Public Sector Tranche:**  
Facility to finance peak & bridge financing requirements faced by committed partner countries



- The repayment of the public sector tranche is made through budgetary commitments of partner countries over the long term (5-30 yrs)
- **Key Advantages:**
  1. Meet peak & bridge financing requirements;
  2. Provide contingency cover for cost overruns;
  3. Can finance eligible operating costs & associated infrastructure

### ERCF... The ESFRI RSFF Capital Facility

**Project Specific Tranche:**  
Finance individual projects including associated facilities where there are time or other gaps in  
i) Member State commitments and  
ii) Cost & Time overruns.  
Project Finance repayment based on revenue potential of project and limited recourse to committed partner countries.  
Repayment structure decided on case by case in line with RSFF Credit Criteria



# EIB Financing of Science Parks

Science park operations so far approved by the EIB since 2000

- Eight projects : 1.7 bn EUR investments, close to 800 M EUR loans
- Individual loan size : mostly 30-100 M EUR
- Loan Term : mostly 12-20 years
- Loan structure : bank intermediated or guaranteed
- Operation scope :
  - Modernisation and extension of existing science parks: Helsinki Science Park (Finland, 2003), Finnish Science Parks (2003), San Raffaele (Italy, 2005), Goteborg (2005), Technopoles Tunisie (Tunisia, 2005)
  - Construction : Heidelberg Bioscience Infrastructure (Germany, 2001),
  - Turku Biotechnology (Finland, 2002), Phoenix West Dortmund (2004);



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- **Project capital expenditures in tangible & intangible assets (Capital Formation)**
  - **research staff cost (basic research, industrial research, development, pilot & demonstration plants; innovation (technological or organisational))**
  - **incremental working capital needs.**
  - **Development and Acquisition of -proprietary- IPR, and other related operating expenses**
  - **Product innovation includes testing, prototyping and launch of pre-series of first commercial application**
  - **Process innovation refers to development and introduction of new working methods and tools, such as ICT-driven innovation**

# Key Challenges in Financing Research Infrastructure (1)

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- **Capital and Operating Costs / Fit-for purpose**
- **Project redefinition, cost escalation and cost controls**
- **Operating budget**
- **Timing and sufficiency of Public sector budget commitments**
- **GAPs in “Full Cost” financing strategy at outset, thereby causing delays to implementation as well as cost increases and uncertainty**

# EIB Integrated Approach Under ERCF (2)

Integrated financing approach capable of meeting the financing needs of :

- the Public Sector by providing project and/or participants with bridging finance from standard EIB resources to meet “peak financing” requirements. Repayment of loan finance that would be in line with availability of budgetary resources over life of long Term loan – up to 30 years / economic life of R.I.
- “GAP financing” by providing additional finance from EIB’s RSFF / ERCF resources to meet project financing needs where
  - obligations of capital repayment would first fall on project revenues and/or additional capital contributions. Without sufficient revenues and/or additional capital contributions project participants would be responsible for repayment over long term
  - interest would be capitalised and repaid solely from proceeds of
    - i) revenues earned by project and/or
    - ii) future capital commitments from non-committed shareholders.and shortfall/risk of loss would be borne by ERCF

- Policy coherency of RI Project EU Policy objectives
- Research Infrastructure should be supported by Host Country, Commission and ESFRI
- ERCF finance would facilitate implementation and/or acceleration
- High economic and financial value added of ERCF financing
- EIB own resources financing of up to 50% of total project cost of which ERCF up to 20% of total project cost
- Credit quality of ERCF shall be in accordance with RSFF credit requirements
- ERCF “Gap financing” to be available for disbursement only after conventional sources of finance have been drawn down and subject to appropriate project performance

# Contacts

**Heinz Olbers**

Head of Division- RDI  
Structured Finance and Advisory  
Phone: (+352) 4379 87313  
Fax: (+352) 4379 67292  
eMail: [olbers@eib.org](mailto:olbers@eib.org)

European Investment Bank  
100, boulevard Konrad Adenauer  
L-2950 Luxembourg

**Gunnar Muent**

Head of Division- RDI  
Innovation & Competitiveness  
Phone: (+352) 4379 88618  
Fax: (+352) 4379 68827  
eMail: [g.muent@eib.org](mailto:g.muent@eib.org)

European Investment Bank  
100, boulevard Konrad Adenauer  
L-2950 Luxembourg

**Thomas C. Barrett**

Director

Phone: (+352) 4379 87006  
Fax: (+352) 4379 67099  
eMail: [barrett@eib.org](mailto:barrett@eib.org)

European Investment Bank  
100, boulevard Konrad Adenauer  
L-2950 Luxembourg

**Constantin Christofidis**

Director

Phone: (+352) 4379 88590  
Fax: (+352) 4379 68827  
eMail: [chirstof@eib.org](mailto:chirstof@eib.org)

European Investment Bank  
100, boulevard Konrad Adenauer  
L-2950 Luxembourg



**Marc D'hooge**

Deputy Head of Division- RDI  
Structured Finance and Advisory  
Phone: (+352) 4379 87211  
Fax: (+352) 4379 67292  
eMail: [dhooge@eib.org](mailto:dhooge@eib.org)

European Investment Bank  
100, boulevard Konrad Adenauer  
L-2950 Luxembourg



**Dr. Jacques B.H. van der Meer**

Projects Directorate  
Innovation and Competitiveness Department  
Manufacturing and Industry (RDI)  
Phone: (+352) 4379 8 8624  
Fax: (+352) 4379 6 8831  
eMail: [j.vandermeer@eib.org](mailto:j.vandermeer@eib.org)  
European Investment Bank  
100, boulevard Konrad Adenauer  
L-2950 Luxembourg



**[RDI@eib.org](mailto:RDI@eib.org)**

**[www.eib.org/rsff](http://www.eib.org/rsff)**