



Diminishing role of risk in financing R&D infrastructure

2nd International Conference on European Research Infrastructures for Innovation and Development

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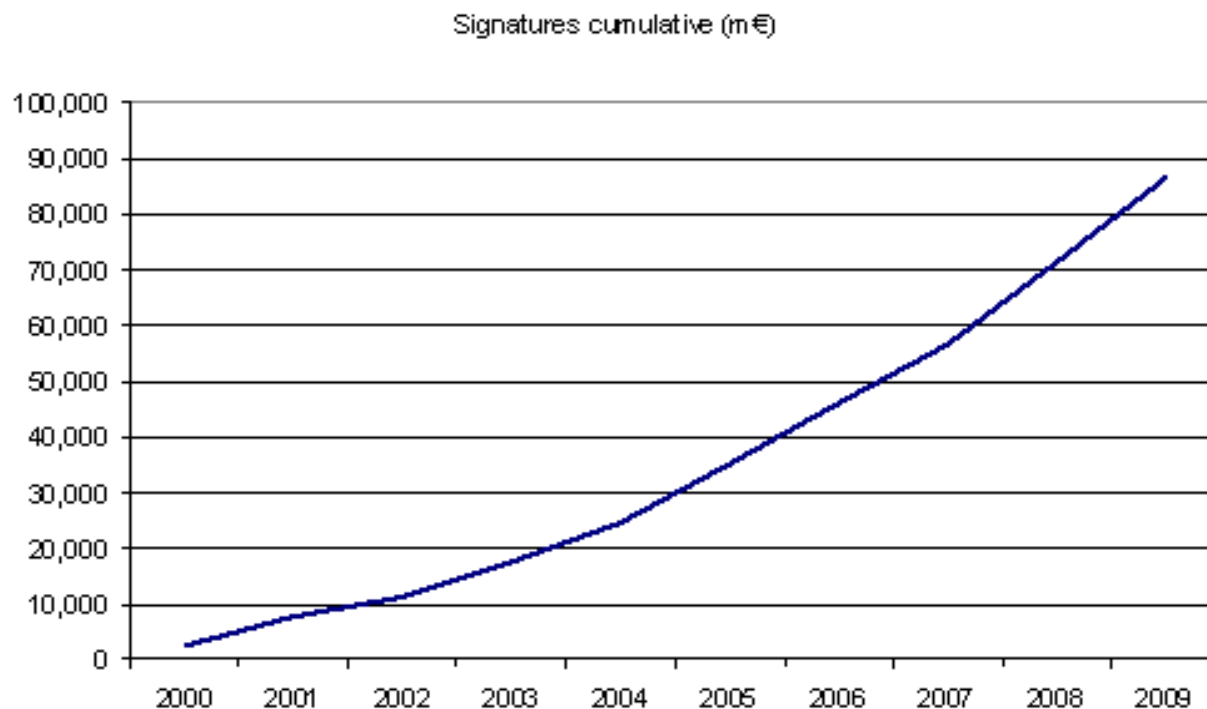
European Investment Bank (EIB)

- The EIB has been created by the Rome Treaty 1958
- The EIB is owned by the 27 EU member states
- The European Union's long-term financing institution
- An **autonomous body** up to finance capital investment furthering European integration by **promoting EU policies**
- The EIB is a policy driven, non profit institution following sound banking principles
- The EIB has a subscribed capital EUR 232.4 bn
- The EIB collects its funds on the capital markets (2009: EUR 73 bn)
- The EIB signed loans amounting to EUR 79 bn in 2009
- Knowledge Economy is one of EIB's Six Strategic Priorities



Six Strategic Priorities

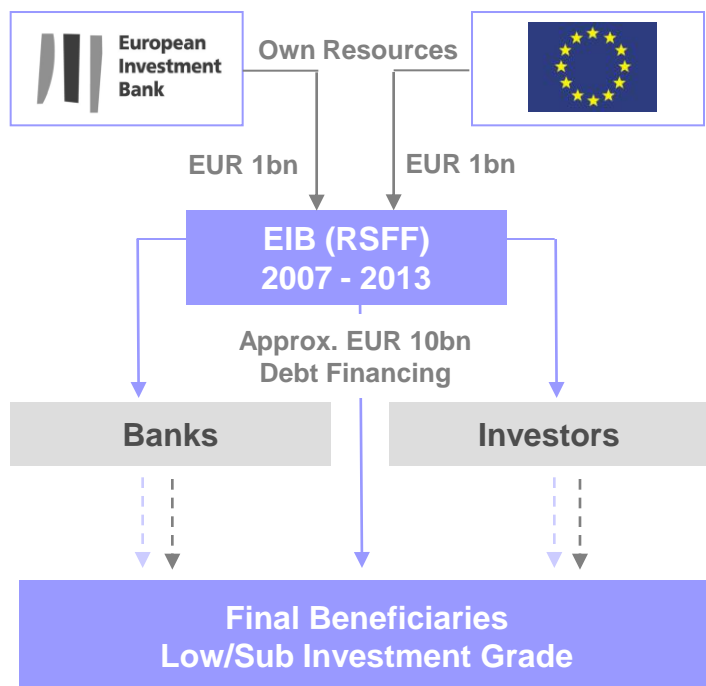
- Cohesion and Convergence
- Support to SMEs
- Environmental Sustainability
- **Knowledge Economy**
- Development of Trans-European and Access Networks (TENs)
- Sustainable, Competitive and Secure Energy.



- In 2000 EIB pledged to make loans worth €50bn for the “Knowledge Economy” target by 2010. The €50bn barrier was already surpassed in 2007.

Risk Sharing Finance Facility

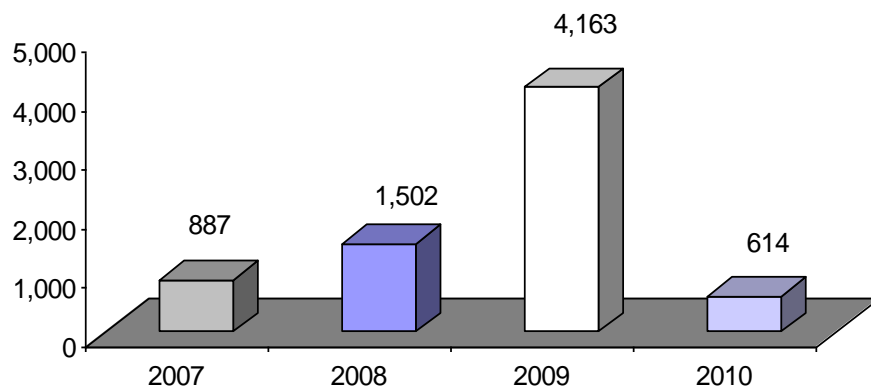
A new Source of Risk Capital



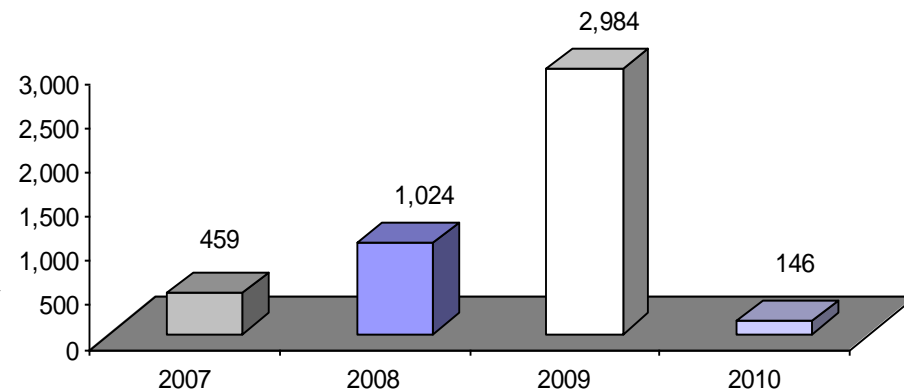
- EIB RSFF funds complement other sources of debt capital available for low/sub investment grade RDI intensive borrowers
- EIB RSFF funds are highly attractive for potential beneficiaries because of:
 1. Highly attractive terms & conditions (AAA rating and non-for-profit pricing)
 2. Long maturities of up to 10 years or more
 3. Direct EIB participation of up to EUR 300m 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 Update - RSFF Approvals and Signatures as of 5th May 2010

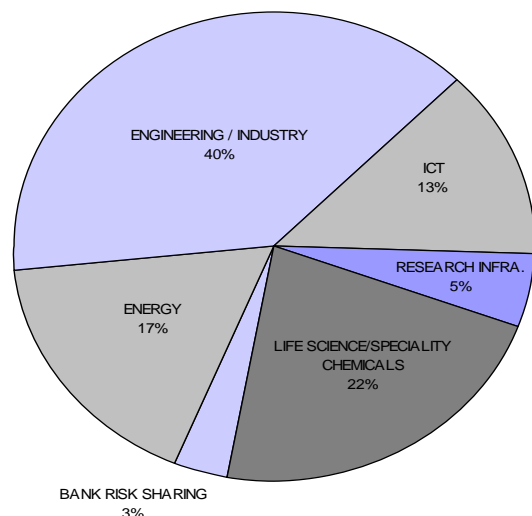
RSFF APPROVALS (2007 - 2010)



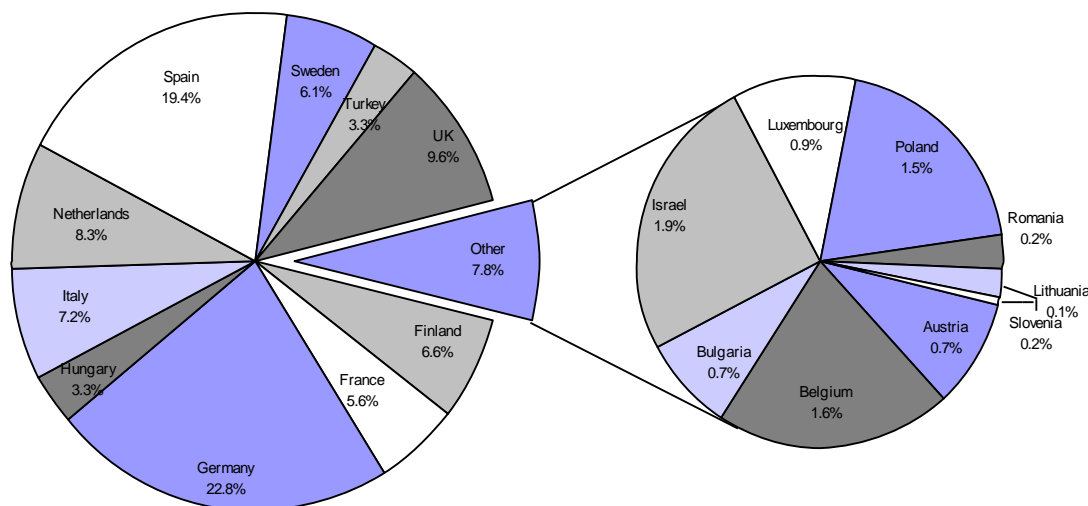
RSFF SIGNATURES (2007 - 2010)



Signed RSFF Projects by Sector



Signed RSFF Projects by Country



■ Total RSFF signatures amount to EUR 4,613 m. Total approvals reach EUR 7,166 m in May 2010.

■ Main sectors financed so far: renewable energy technologies, engineering industry and life science.

Risk Sharing Finance Facility

Key Sectors

1

Life Sciences

2

Energy

3

Engineering/Automotive

4

ICT (TMT)

5

RDI Infrastructures

Rationale for Selection

- Scope of Sector
- EU Policy Dimension
- Key RDI Trends
- Strong EIB Track Record in the industry
- RSFF Implementation Strategy

Product Development

Sector Know-How

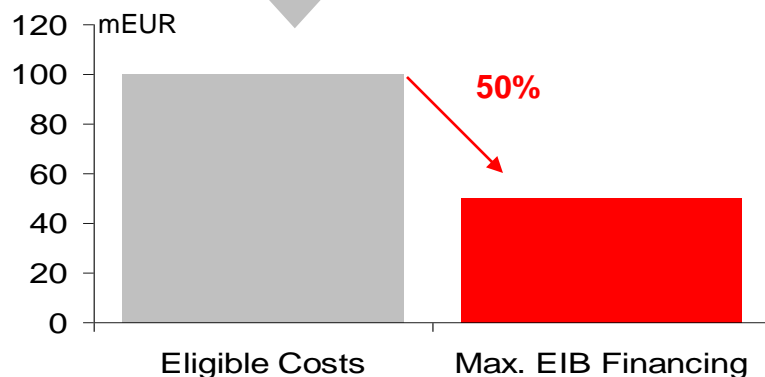
Long Term Financing

RSFF Eligible Cost Definition

ELIGIBLE COSTS	
Year 1	€ 30m
Year 2	€ 40m
Year 3	€ 30m
Total	€ 100m

- Project related CAPEX on tangible & intangible assets
- Research staff cost
- Incremental working capital
- Related operating costs

Eligible Costs
RDI Budget



- 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

**Large Hadron Collider
CERN, Geneva**



**Free Electron Laser
Trieste**



**Nano-technology R&D centre of IMEC
Leuven**



**Laboratory infrastructure of EMBL
Heidelberg**



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);



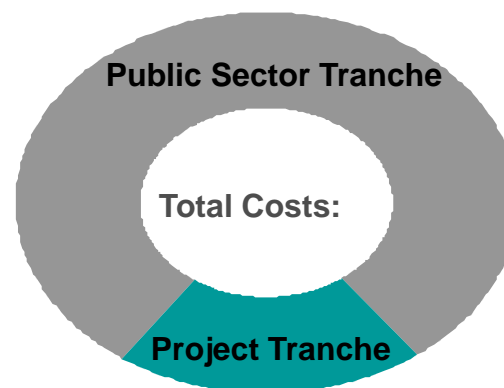
- **Capital and Operating Costs / Fit-for purpose**
- **Project redefinition, cost escalation and cost controls**
- **Operating budget**
- **Timing and sufficiency of Public sector budget commitments**
- **GAPs in “Full Cost” financing strategy at outset, thereby causing delays to implementation as well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

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
With limited recourse to
committed partner countries



- 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

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