

EARTO Innovation School

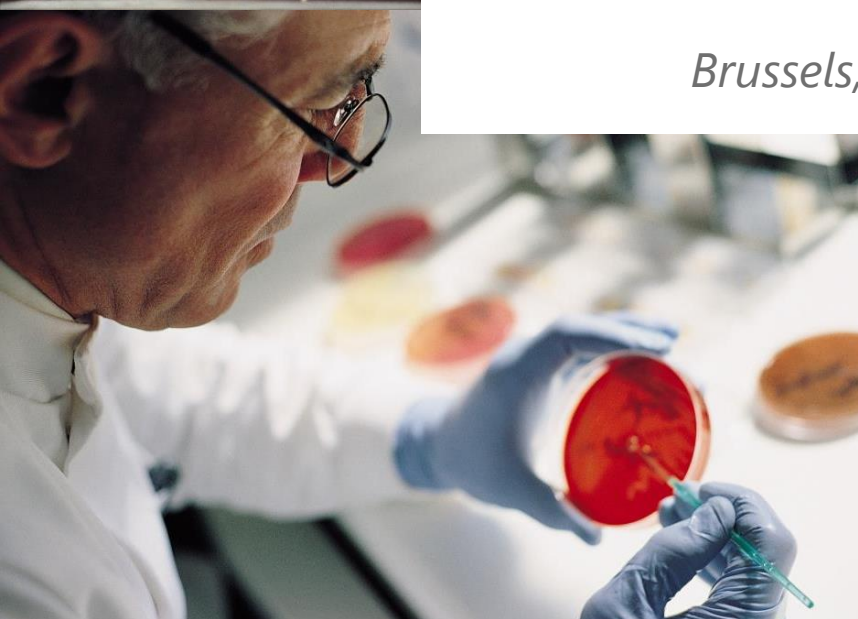
Shiva Dustdar
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Julia Taddei
European Commission

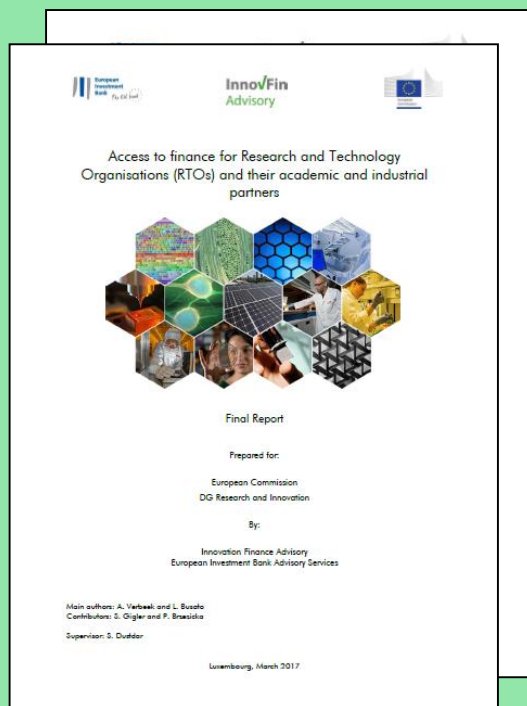
Brussels, 19 September 2017



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Launch – RTO Study



Research and Technology Organisations (RTOs) play a pivotal role in the European business landscape (...). I would therefore like to congratulate EARTO for [their] leadership (...). As the EUB bank, we understand the challenges that many RTOs face in raising finance. (...) We are ready to build on our existing range of financial instruments to deliver advice and products which will help RTOs optimise their funding possibilities.

Werner Hoyer

President of the European Investment Bank

The mission of Research and Technology Organisations (RTOs) is to harness science and technology in the service of innovation, to improve quality of life and build economic competitiveness (...). EARTO members are involved in all parts of Horizon 2020, strongly contributing to increasing its impact on innovation. I encourage RTOs to actively explore the full range of InnovFin and EFSI products to diversify their funding options.

Carlos Moedas

EU Commissioner for Research, Science and Innovation

- A. EIB at a glance
- B. InnovFin Advisory
- C. RTO Study – Key messages and recommendations
- D. Potential opportunities for EIB financial support
- E. How can IFA support RTOs?

EIB at a glance – Our priorities

The EU bank:

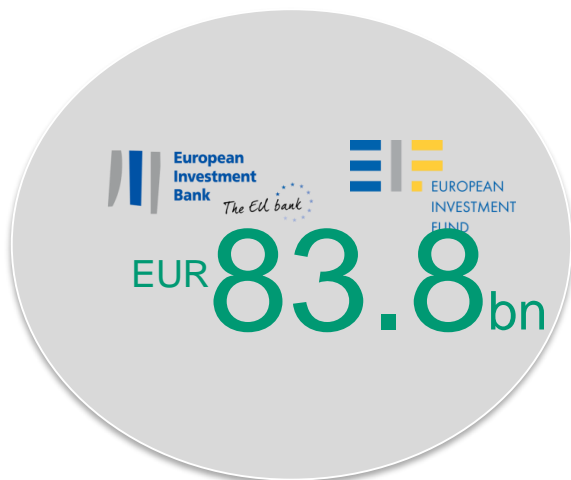
- Established in 1958
- Around 90% of lending within the EU
- Shareholders are the 28 EU Member States

World's largest International Financial Institution

- Largest multilateral lender
- Largest multilateral capital markets borrower

Solid credit fundamentals

- AAA-rated by the three major rating agencies
- Favourable borrowing conditions passed on to clients



Smaller businesses Infrastructure



EUR 33.6bn
300 000
companies



EUR 19.7bn
Improvements
benefitting
55 million people

Environment



EUR 16.9bn
Cleaner water for
25 million people

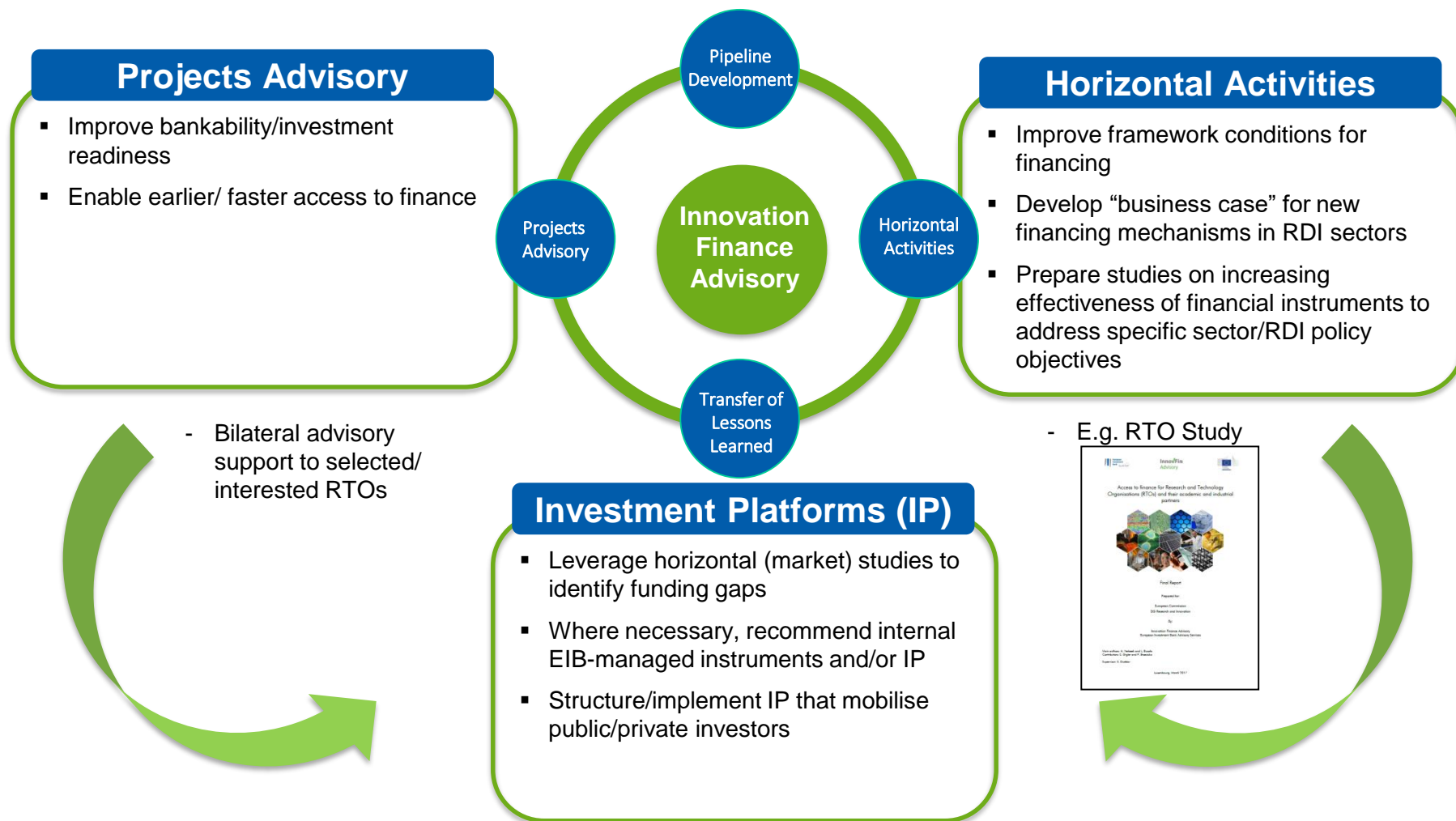
Innovation



EUR 13.5bn
11 million digital
connections

Innovation Finance Advisory – What do we do?

Enhance access to finance for innovative projects



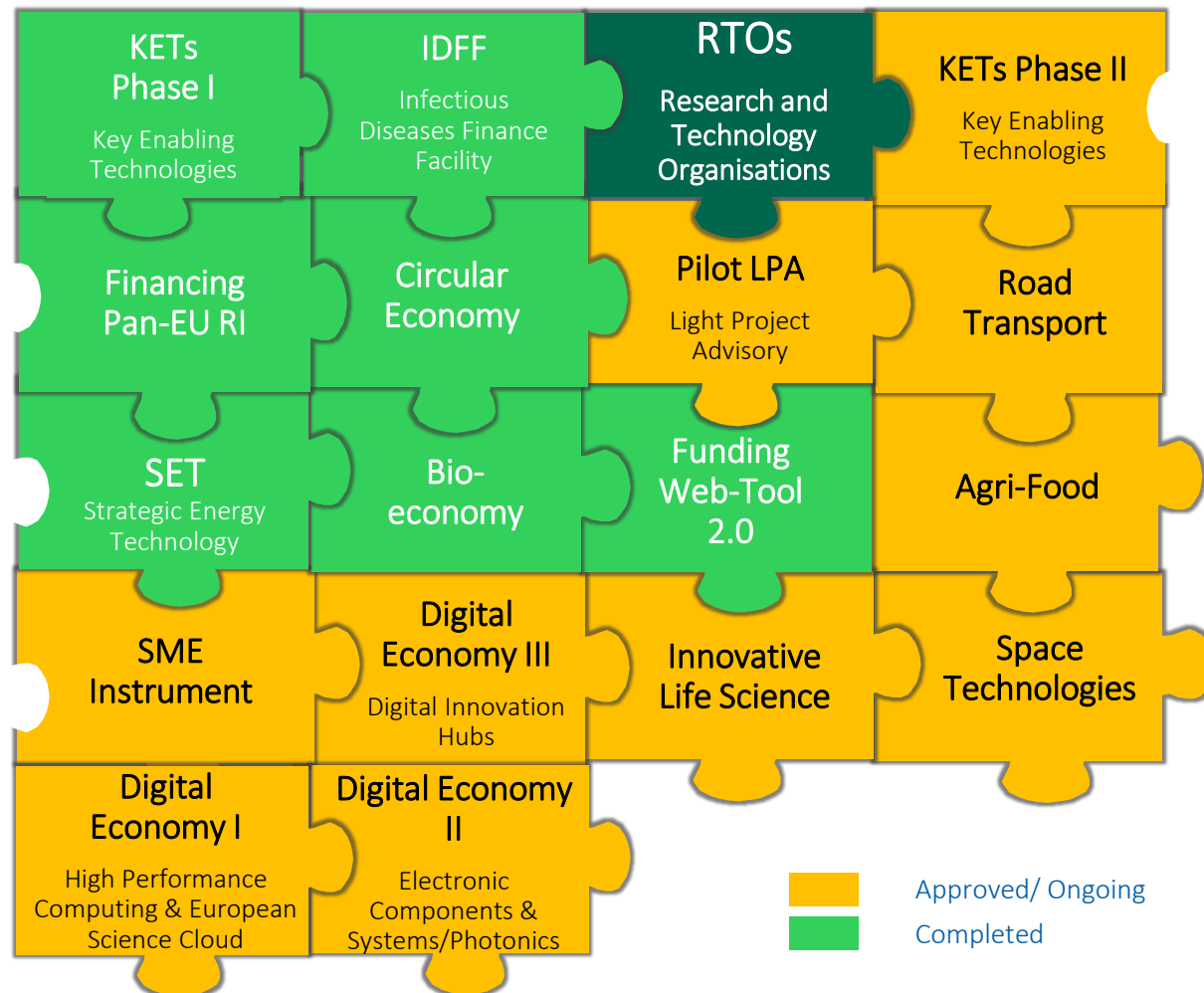
Innovation Finance Advisory – What do we do?

Project Advisory cycle



Innovation Finance Advisory – What do we do?

Study access-to-finance conditions by thematic areas



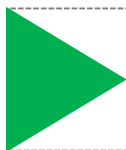
Approved/ Ongoing
Completed

RTO Study – How it all started



Workshop on RTOs at EIB in Luxembourg (April 2015)

- **Organisers:** IFA, in collaboration with the European Commission (EC)
- **Participants:** RTO community representatives, EIB Group, EC (DG RTD) and EARTO
- **Main objective:** Exchange on activities, trends and developments regarding the financial sustainability (such as the rollout of EFSI and the broader Investment Plan for Europe) of RTOs and their partners
- **Main workshop findings:** RTOs and their partners face very specific challenges in obtaining the necessary funds for infrastructure development (e.g. test facilities and equipment) and for spin-out/special purpose vehicle creation
- **Conclusion of the workshop:** Need for active support to the RTO ecosystem on re-engineering and/or complementing existing financial models, where needed, in order to contribute towards better access to finance. Especially in view of the difficult budgetary climate on RDI in many Member States
- **Follow-on request:** EARTO's President asked the EC and the EIB to consider a dedicated IFA assignment to assess the existing funding situation and develop new funding models for RTOs



In-depth study by InnovFin Advisory in close collaboration with the EC and EARTO

RTO Study – Extensive consultation and engagement with the RTO working group and EARTO secretariat

- **CEA**, France (Commissariat à l'énergie atomique et aux énergies alternatives) 
- **CSEM**, Switzerland (CSEM SA) 
- **Fraunhofer**, Germany (Fraunhofer Gesellschaft) 
- **Imec**, Belgium 
- **SP** and **RISE**, Sweden  
- **Tecnalia**, Spain (Tecnalia Corporación Tecnológica) 
- **TNO**, The Netherlands 
- **TWI**, United Kingdom (The Welding Institute Group) 
- **VTT**, Finland (Teknologian tutkimuskeskus VTT Oy) 

EARTO
Secretariat
Coordination
& Support



Thank you for your valuable engagement

Key highlights of our RTO Study

RTOs' Key Role in Europe

- **RTOs play a crucial role** by bridging industry and academia and by adding value across the entire innovation value chain. In 2014 alone, the nine largest RTOs generated total value added of EUR 14bn

Use of Grants Critical

- **Grants are, and will remain, a critical and fundamental source of financing in the RTOs' overall funding mix**, especially for core activities like competence building and, albeit partially, technology development

European Funding Landscape for RTOs

- Changing rapidly, making grants (core funding) increasingly uncertain. → **new sources of financing available to RTOs** (debt, quasi-equity, equity, Venture Capital, Technology Transfer Funds)
- These changes provide the option to **use grants even "smarter"** and **leverage them even better towards the attraction of complementary sources of return-based financing** (e.g. as provided by the EIB Group)

Business Model Optimisation

- **Some RTO business models may be further optimised** to reposition part of the current activities
- **Open Innovation** may provide opportunities to generate new income

Bridging Knowledge Asymmetries

- **RTOs could bring more "science into finance"**
- **RTOs could benefit from more "finance into science"**

Advisory and Financing Support

- **Access to Advisory Support** to explore new funding options and to **Financing** (directly or indirectly)
- EIB Group offers a broad range of financial products and advisory services and welcomes the opportunity to further engage with the RTO community in the discussion of concrete investment plans and projects

Key recommendations

- 1 Business Model Optimisation
- 2 “Smart Grants”
- 3 Opportunities to enhance Socio-Economic Impact
- 4 Policy Support for Innovation Infrastructure (IIC)
- 5 Foster Access to available Financial Instruments

Building on the existing range of financial instruments. Two ways forward:

- ✓
tbd
- 1. Adjustment of existing instruments** in order to better reflect RTOs’/ RTOs’ project needs and fundamentals
 - 2. Development of new instruments**
 - Potential setup of a joint RTO and EIB Co-lending Fund
 - Potential setup of a thematic Investment Platform
 - Participation of RTOs in EIF’s individual investments or investment programmes

Recent RTO projects advised by IFA...

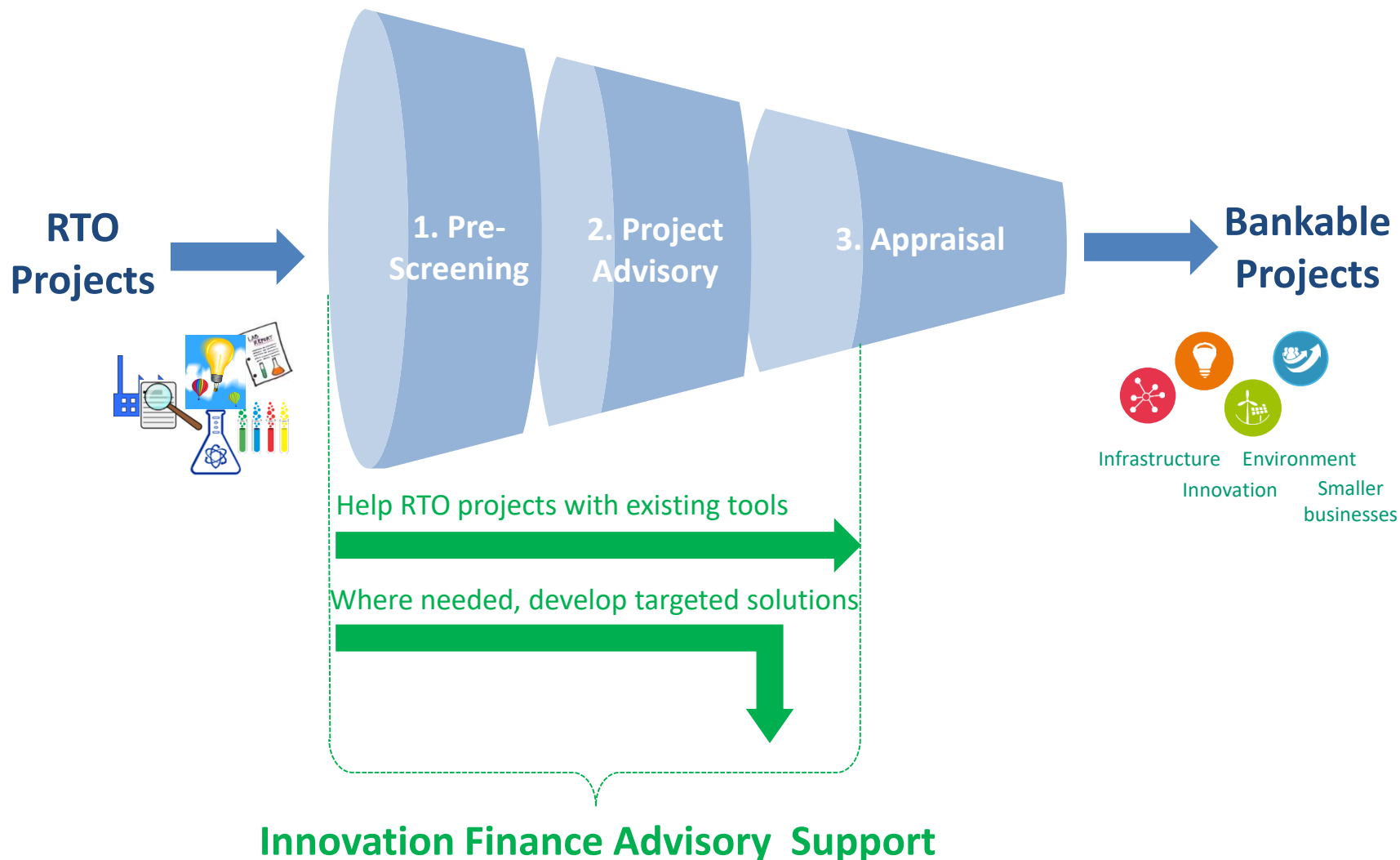
...illustrate good potential for EIB support

Profile of recent RTO projects advised by IFA

Promoters:	➤ European RTOs
Project location:	➤ Member States
Scope of financing:	➤ Relocation and consolidation of existing research infrastructure ➤ New research infrastructure ➤ Improvement of operational efficiency and working conditions
Total indicative investment volume of RTO projects advised by IFA during 2017:	➤ c.EUR 300m

- The above are examples of opportunities for potential EIB financing support based on IFA's recent advisory
- The amendment of the InnovFin Programme, further improves the access to finance conditions for RTOs
- IFA will be keen to work together with other RTOs to discuss the financing opportunities for RTO projects

What's next?



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