

**ECRI 2007**

**EIB Financing for Research  
Infrastructure**

**Thomas C. Barrett**

**Hamburg, 6<sup>th</sup> June 2007**

**1.**

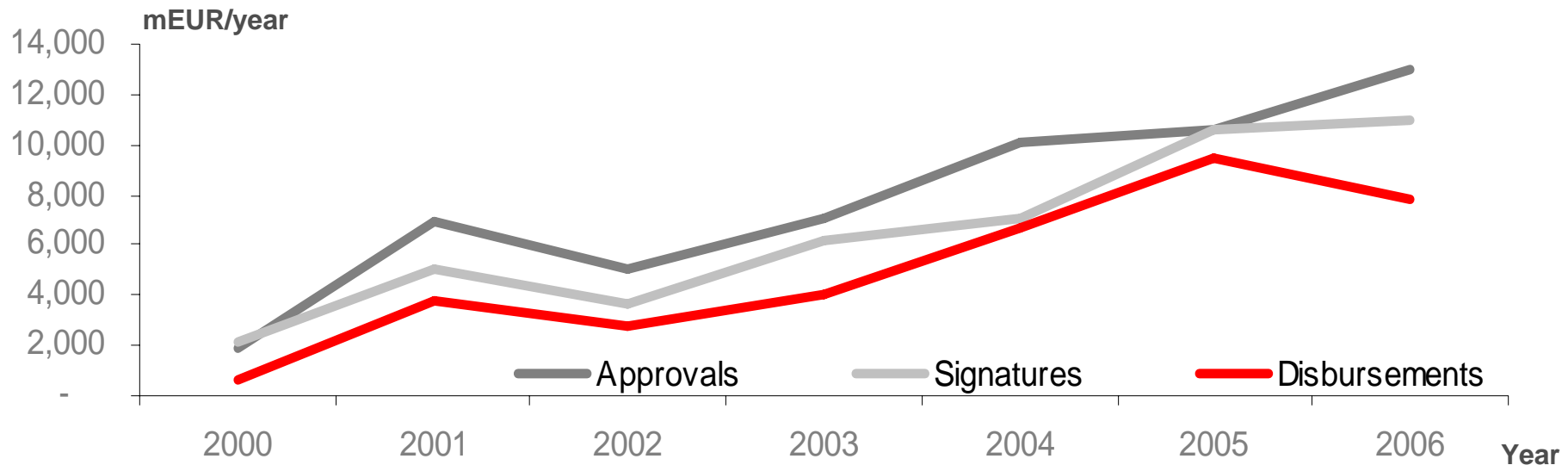
The Risk Sharing Finance Facility (RSFF)

**2.**

ESFRI RSFF Capital Facility (ERCF)

# General Overview

## Innovation 2010 Initiative – Track Record



- The EIB financing of i2i investment reached EUR 46bn since 2000, half of which in RDI.
- Financing of RDI (public and private sector combined) is the largest component, with 61% of signatures in 2006.
- EIB has developed a strong base in RDI since 2000 upon which to now develop more Value Added Products.
- EIB's i2i objective: finance up to EUR 65 billion by 2013.

# The Risk Sharing Finance Facility (RSFF)

EU Support



## European Council of December 2005

**“The European Council invites the Commission in cooperation with the European Investment Bank to examine the possibility of strengthening their support for Research and Development by up to a maximum of €10 billion through a financing facility with risk-sharing components to foster additional investment in European research and development ..”**

## European Council of March 2006

**“The European Council calls on the EIB to support innovation and to reinforce its action in R&D, through a risk sharing finance facility to be finalized as soon as possible”**

# The Risk Sharing Finance Facility

## Resources & Objectives



### Direct Lending

#### 1 Extend Debt Capacity

Corporate Finance

Project Finance

Subordinated Debt/Mezzanine

Interest Contingent Loan

#### Sector Specific Products

Corporates

Universities

SPVs, JTIs, PPPs, RIs

### Indirect Lending / Financing

#### 2 Extend Lending Capacity of Financial Intermediaries

Risk Sharing Facilities

Co-financing / Leverage of Funds

#### 3 Investment Funds Renewable and Clean Energy

Banks

Funds

#### 4 RSFF will support loans of up to EUR 10 bn by 2013

# The Risk Sharing Finance Facility

## Sector Strategy

**1**

**Engineering/Automotive**

**2**

**Energy**

**3**

**ICT**

**4**

**Life Science**

**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**

# The Risk Sharing Finance Facility

## Implementation Strategy – STATUS QUO

1

### **RSFF Facility Signed June 2007**

(eligibility; risk sharing; administrative cost; governance; internal processes)

2

### **RSFF Sector Strategy Developed**

(Engineering/Automotive; Energy; Life Science; ICT; RDI Infrastructures)

3

### **RSFF Product Development**

New risk sharing products introduced for Mid-cap borrowers as well as for SMEs and financial intermediaries and research infrastructure

4

### **Awareness Raising in Full Progress**

Collaboration and networking with ETPs/JTIs & selected market players; sector studies

5

### **Flagship Operations Launched and Executed**

Pipeline developed. First RSFF Projects already signed in Engineering/Automotive: Life Sciences and Renewable Energy

1.

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# EIB Track Record in Financing Research Infrastructures

**Large Hadron Collider  
CERN, Geneva**



**Free Electron Laser  
Trieste**



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



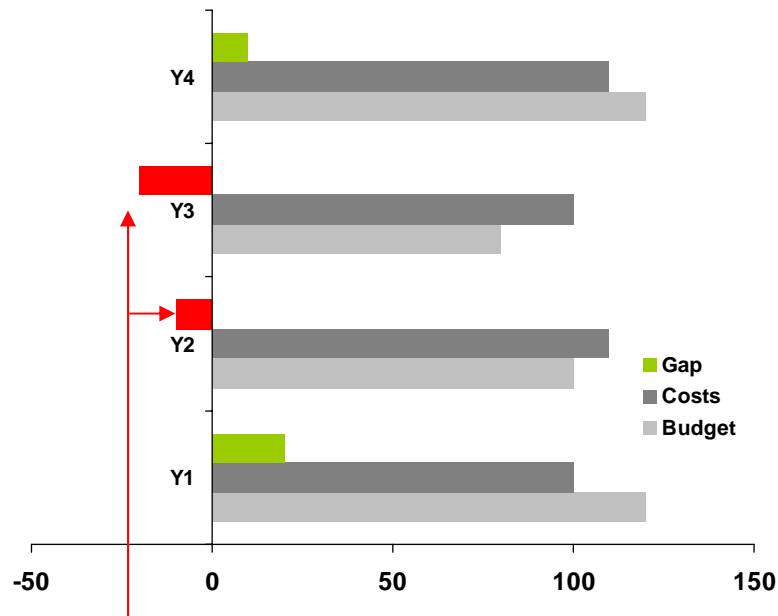
**Laboratory infrastructure of EMBL  
Heidelberg**



# ERCF...ESFRI RSFF Capital Facility

General Framework for all projects

## Annual Budget vs. Actual Costs



Peak Requirements/ Budget Programme

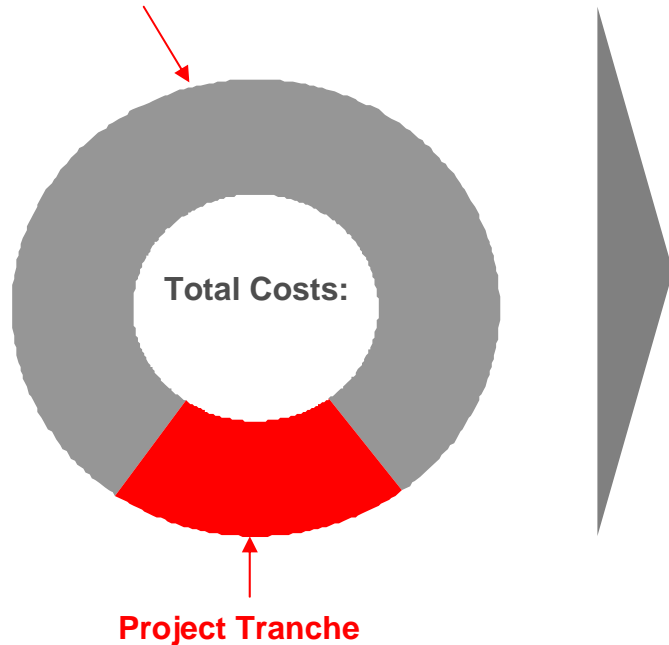
**Public Sector Tranche:**  
Facility to finance peak & bridge  
financing requirements  
faced by committed partner  
countries

- 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...ESFRI RSFF Capital Facility

Specific financing arrangements on a case-by-case basis

Public Sector Tranche



## Project Specific Tranche:

Can finance specific requirements of individual projects including inter alia associated facilities and capital expenditure amounts still to be committed by national partners

- EIB finance would be repaid with the contribution of new partners to the research infrastructure and/or by use of the facilities and/or associated revenue streams
- **Key Advantage:** could accelerate project implementation

# ERCF-ESFRI RSFF Capital Facility

## Key Terms & Conditions

- Maximum loan amount (both tranches): up to **50% of eligible project cost**  
Minimum loan amount for direct EIB financing: **EUR 25m**
- Loan tenors in line with economic life of project, for ESFRI projects typically between 10-30 yrs
- Public Sector Tranche: repayment underpinned by long term commitments from participating countries/institutions
- Project Tranche: Letter of comfort from borrower and potential shareholders to undertake best efforts to close the “commitment gap”; Additional security on the project company might be required (e.g. charges on 3rd party revenues; charges on land/assets; allocation of research time; assignment of rights to receive grants from public authorities)
- Comprehensive project information (incl. detailed business plan on potential private sector

### Sound EIB projects should...

...be eligible for EIB finance

...be technically and economically sound

...comply with EU Policy and regulations

...be financially viable/show acceptable returns

### Borrowers...

...have to be bankable

...can be investmentgrade and sub-investmentgrade

### Loan financing and guarantees

- **Financing public budgets / public risk**
- **Bridge financing of public resources**
- **Project Finance (3<sup>rd</sup> party revenues)**

### Beneficiaries

- **Governments, public bodies**
- **Universities, National Research Centres**
- **European Economic Interest Groups**
- **Special Purpose Vehicles**

## Added value of EIB involvement

- Financing flexibility: provide debt financing adapted to project implementation and the borrower's repayment capacity
- Improved financing conditions; advantage of EIB's AAA based funding is passed on to the borrower in order to reduce overall project cost
- Increased access to financing: additional supply of loans/guarantees from EIB; joint financial products with Commission (RSFF, leveraging FP7 funds) and through co-financing with financial markets
- Risk sharing: share financial risks with promoters and consequently reduce their risk adjusted cost of capital
- Signalling Effects: Due to the Bank's reputation for its prudent lending policy and its strong market/technology know-how, the EIB provides learning/signalling effects for other Banks

## Next Steps

- Provide advice and support to finance European Research Infrastructures on an ESFRI level
- Develop a standardized term sheet for ERCF to give clear guidance on EIB financing requirements for ESFRI projects

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