

Conclusions

Framework Operation #38 for Innovation & Digitalisation Guarantee (Multi-country)

INVEU-ICR-0115-2023 – SME Window (SMEW)

Short description of the financing or investment operation and its objectives

Financial intermediaries	Primarily commercial banks, leasing companies, guarantee institutions, National Promotional Banks or Institutions
Final recipients	SMEs (including Micro Enterprises) and Mid-Caps (Small Mid-Caps).
Countries of implementation	Member States and OCTs and Other Participating Countries.
Implementing partner	EIF

This Framework Operation is expected to contribute to the EU's research and innovation policy pursued by the Horizon Europe and the Digital Europe programmes. thanks to its focus on enhancing access to finance to RDI-intensive SMEs and Small Mid-Caps as well as support the uptake of digital technologies and digital transformation of enterprises.

The Sub-Projects will target investments in particular to:

- enhance the transfer and research to the market, support scaling up of innovative companies, deployment of innovative solutions leading to new or
- substantially improved products, processes, services, production or delivery models and organizational and business models
- integration of digital technologies in business models and development, supply chain management, customer relationships, cybersecurity.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 6 December 2023 for the above-mentioned operation.

In terms of **market failures** addressed by this Framework Operation, smaller companies active in R&I often struggle to get funding for their investments from banks. This is due to higher perceived risks and lack or weak type of collateral given that their main value lies in intangible assets, such as human capital and the knowledge created by R&D activities. Innovative firms with high potential might be driven out of the market - or not enter at all because of existing barriers. Moreover, survey data confirm that access to finance is seen as a barrier to investment more by younger companies engaging in innovation activities than by

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established businesses⁴. Additionally, alternatives to bank finance (e. g. lending platforms, alternative lender, etc.) are especially important for SMEs, young innovative firms and start-ups. Furthermore, lower access to risk capital remains a constraint to scaling up of such companies.

Additionality will be met in all those cases where a financial (sub-)intermediary originates final recipient transactions with reduced pricing conditions and which carry a (typically) higher risk profile. Intermediaries will implement financing solution in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on Elf's website (e.g., bespoke financing arrangements, targeting excluded segments, industries or geographies, etc.).

In more detail, EIF expects to support financial intermediaries in originating final recipient transactions (debt financing) which meet one or more of the following enhanced access to finance measures:

- Reduction/limitation of collateral requirement.
- Reduction of cost of financing.
- Reduction in down-payment in respect of Final Recipient Transactions.
- Increase in financing volumes.
- Support to excluded segments.
- Financing at longer maturities.
- Bespoke financing arrangements.
- Any subordinated debt transactions.