

# Conclusions

## Framework operation #12 for Innovation & Digitalisation Guarantee INVEU-ICR-0048-2022 – SME Window

### Short description of the financing or investment operation and its objectives

Financial intermediaries	These include financial institutions, alternative lenders, guarantee institutions, National Promotional Banks or Institutions, providing Debt Financing directly or indirectly to final recipients.
Final recipients	SMEs and small mid-caps
Countries of implementation	EIF expects to enter into operations with financial intermediaries in a number of countries, such as Bulgaria, Croatia, Czech Republic, Finland, France, Germany, Ireland, Italy, Lithuania, Netherlands, Poland, Slovenia, Spain, Sweden, and others.
Implementing partner	EIF

This Framework Operation aims to support Sub-Projects targeting innovation driven SMEs and small Mid-Caps as well as companies pursuing their innovation and digitalisation activities. Consequently, through portfolio guarantees, it aims to enhance access to finance of target final recipients as well as support the uptake of digital technologies and digital transformation of enterprises.

Additionally, the Sub-Projects will target also investments 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 organisational and business models
- integration of digital technologies in business models and development, supply chain management, customer relationships, cybersecurity.

The intervention under InvestEU builds on the previous European Commission guarantee programme managed by the EIF, namely the **InnovFin SMEG**.

### Global Assessment and rationale for approval

The Investment Committee (IC) of the InvestEU Fund approved the use of the InvestEU guarantee on 7 July 2022 for the above mentioned operation.

The Investment Committee considered as **market gaps** that the lower access to risk capital for development, expansion, internationalisation and growth (via new products, entering new business segments and /or geographical markets) remains a constraint for ROI driven SMEs and Small Mid-caps in the majority of European jurisdictions.

## Conclusions

SMEs and small mid-caps active in RDI, in particular, younger companies often struggle to get funding for their investments at affordable terms, in sufficient amount and/or form of financing suitable for their investment and growth needs due to higher actual and/or perceived credit risks stemming from technological and business model innovations or products/market extension with uncertain business outcomes and/or insufficient or weak type of collateral given intangible assets, such as human capital and the knowledge created by RDI activities.

European companies' need substantially for risk financing to transform their analogue business models, processes, products and delivery methods to a digital world unlocking new value creation, and productivity and increasing their competitiveness in the markets. Such investments in digital transformation are needed across all sectors of the European economy.

In terms of **additionality**, the EU guarantee will encourage intermediaries to lend to SMEs and Small Midcaps engaged in innovation activities (in all sectors of EU economy, both new to the firm and new to the market innovations) as well as digitalisation of the company's business by providing sufficient credit at favourable terms, amounts and form for working capital, investments and acquisitions in local currencies, at lower cost of financing but also other benefits in line with access to finance measures (lower collateral, longer maturities, etc).

In certain instances, the Framework Operation may entail Sub-Projects that support financial intermediaries in originating final recipient transactions which are subordinated debt transactions, thus improving solvency of RDI driven companies and their borrowing capacity. It is also allowing banks to scale their lending volumes to RDI companies creating new dedicated financial products and reach new, riskier client segments (for instance start-ups commercialising new products) that otherwise would not be served or remain underserved.

Certain Sub-Projects will also support alternative lenders such as debt funds or crowd-lending platforms offering bespoke solutions, thus creating more alternative funding sources of RDI driven companies.

Finally, the EIF will provide practical guidance to financial intermediaries both pre- and post-signature. Financial and structuring advice is expected to be mainly focused on new intermediaries without prior experience in implementing guarantee products as well as less sophisticated players.