



**Interreg
Europe**



European Union | European Regional Development Fund



Policy learning event on research & innovation and SME competitiveness

19 October 2017, Milan, Italy

[#PolicyLearning](#) [#ResearchInnovation](#)

**We change through
exchange**

Breakout session: Policy instruments explained
How to find common objectives and
remove obstacles to facilitate use of R&D
results.

Team Green B: In search of money



Research & innovation

Partners in this topic can work on:

1. Strengthening research and innovation infrastructure and capacities.
2. Innovation delivery through regional innovation chains in the chosen 'smart specialisation' field.

e.g.

- *improving financial instruments for innovation support*
- *increasing commercialisation of R&D results*

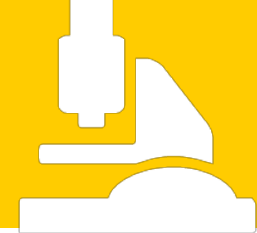
A background image showing a person's profile looking at a document with a grid, overlaid with a semi-transparent grey box containing the text 'We serve you'. The image has a warm, golden-yellow color palette.

We serve you

**We change through
exchange**



The Research & Innovation platform team



Andrea di Anselmo
Thematic Manager
a.dianselmo@policylearning.eu



Luigi Amati
Deputy Thematic Manager
Thematic expert **Financial Instruments**, Spinn-off creation
l.amati@policylearning.eu



Alessia Melasecche
Thematic expert **Exploitation of R&D**, entrepreneurship
a.melasecche@policylearning.eu



Carl Arvid Dahlöf
Thematic expert **regional and innovation strategies**
c.dahloef@policylearning.eu



Marc Pattinson
Thematic expert **clusters and sectoral approaches**
m.pattinson@policylearning.eu



Céline Dawans
Community Manager
c.dawans@policylearning.eu



Jason Martinez
Policy officer
J.Martinez@interregeurope.eu



Mar Martin
Policy officer
m.martin@interregeurope.eu

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A monarch butterfly with vibrant orange and black wings is perched on a piece of weathered wood. The background is a soft-focus image of a person's face, looking towards the camera. The overall scene is set against a light, airy background.

Projects (1st and 2nd call)

- RIS Oriented
- Cluster Based
- Sectoral focus (Bio-economy, Advanced Materials, Eco-innovation, food, chemicals, textile, ..)
- Challenge based

More from the 3rd call (under evaluation)

In search of the money – how to effectively engage with private sector to find funding in the early stages of the R&D projects?

2nd Breakout session



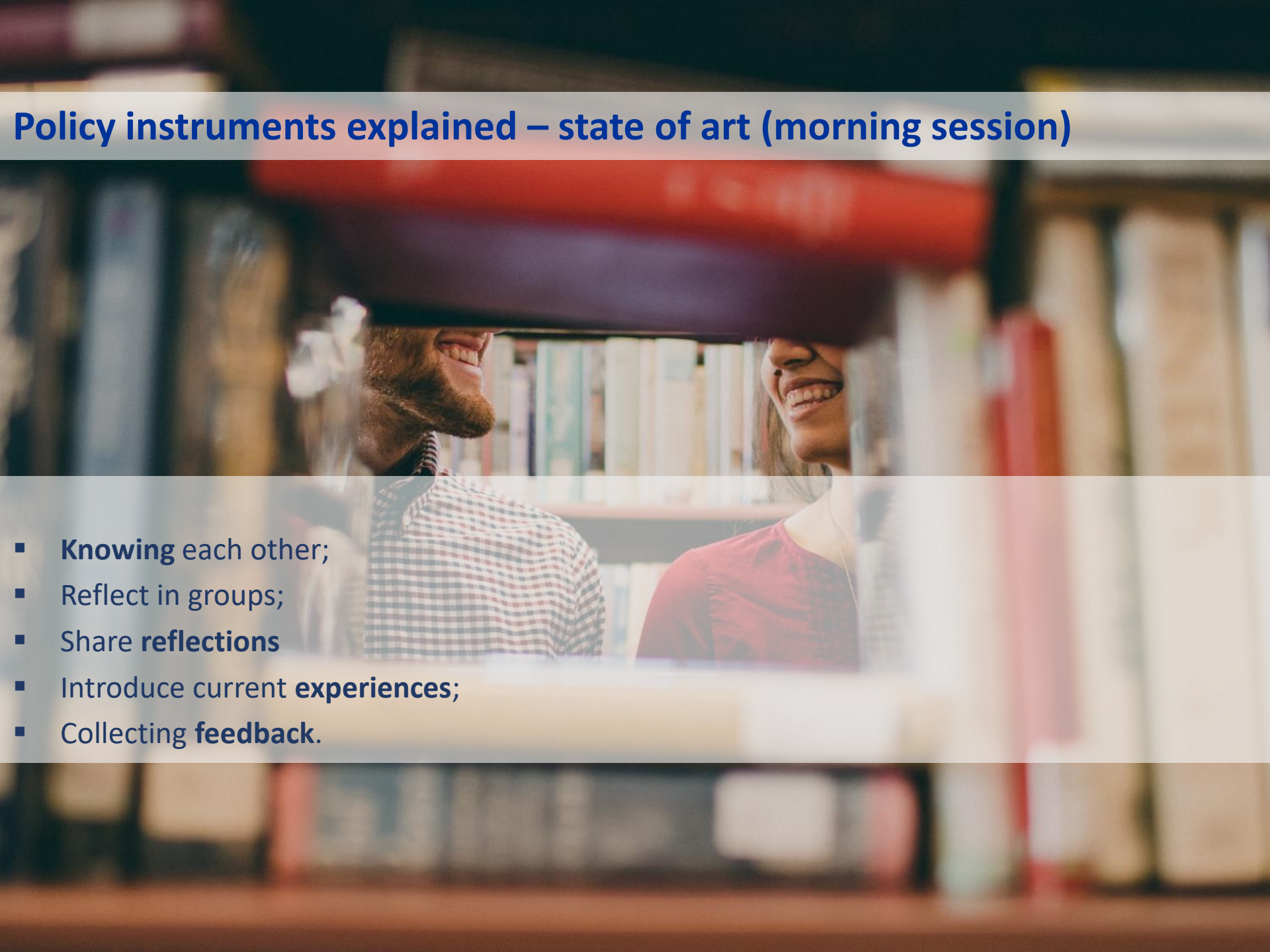
Interreg Europe projects present in Milan dealing with financial instruments



Interreg PLP provided support on the topic

- Policy brief titled *“Engagement of private investments to bring research and development results to the market”* published in December 2016
https://www.interregeurope.eu/fileadmin/user_upload/plp_uploads/20170109_Policy_Brief_Co-investment_off_the_shelf_instrument_LS_clean_for_the_download_layout_KM.pdf
- Article titled *“Horizon 2020 Research and Innovation Funding Makes a Difference”* published in January 2017
<https://www.interregeurope.eu/news-and-events/news/490/horizon-2020-research-and-innovation-funding-makes-a-difference/>
- Article titled *«European Investment Project Portal (EIPP): an opportunity for capitalisation and follow-up»* published in July 2017
<https://www.interregeurope.eu/policylearning/news/1433/the-european-investment-project-portal-an-opportunity-for-capitalisation-and-follow-up/>
- Article titled *“Alternative finance and its potential to support research and innovation”* published in September 2017
<https://www.interregeurope.eu/policylearning/news/1601/alternative-finance-and-its-potential-to-support-research-and-innovation/>

Policy instruments explained – state of art (morning session)

- 
- A photograph of a man and a woman smiling and looking at each other in a library. The man is on the left, wearing a checkered shirt, and the woman is on the right, wearing a red top. They are standing in front of bookshelves filled with books. The image is slightly blurred, focusing on the people.
- **Knowing** each other;
 - Reflect in groups;
 - Share **reflections**
 - Introduce current **experiences**;
 - Collecting **feedback**.

Team work – reflect in groups (20 min)

- What is/was **done** in your region to address the “challenge”;
- The major barrier you have **overcome** (most critical one);
- The three major barriers **still to be** overcome;
- Your **contribution** to lower/mitigate barriers/challenges;
- What you will **need** from others.

Share reflections (15 min)

- Have you learned from **mistakes**;
- Have you been **inspired**;
- Have you inspired **other** regions;
- What was worth to highlight.

The experience within the IR-E community



Discussing experiences

- Which **type** of **synergy** is in your view more effective to enhance R&D+I activities?
- Which were the **motivations** for the **managing authorities** to introduce the practice instrument?
- What is the **link** with the **S3**?

Learning from the latest trends and practices (afternoon session)





Fishing the net (60 min) (afternoon session)

Let's discuss

- **Topics** to be further developed with webinars;
- **Actions** to be agreed with discussion hours;
- **Practices/measures** to be deepened with peer review;
- **Instruments** to be benchmarked;
- **Topics** to be faced during the B2B event;
- New Topics suggested;
- Selected **priorities** for the next 3-6 months.

Contact us

l.amati@policylearning.eu

Be with us and register

www.interregeurope.eu

<https://www.interregeurope.eu/policylearning/>

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Financial Instrument as a delivery mechanism for ESIF post 2020

Interreg PLP

Milano, 19 October 2017

LUIGI AMATI, Thematic Expert – Financial Instruments



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Experiences in setting up and implementing financial instruments

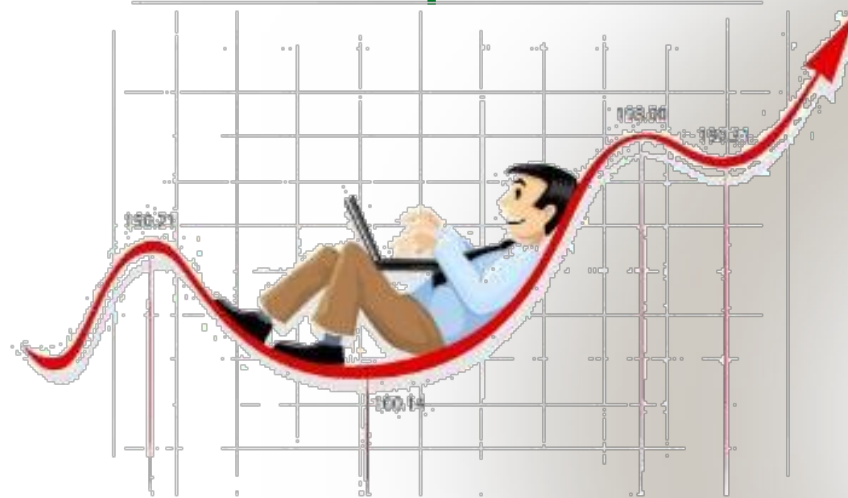
What worked well and what caused problems

Reflection and ideas on the use of financial instruments post 2020

Experiences in setting up and implementing financial instruments

NEED not NICE

Knowledge Intensive Entrepreneurship & Job Creation



Top 1% of new companies = 10% of all new jobs direct, 40% indirect*

New companies = 100% new jobs*

*High-Growth Firms and the Future of the American Economy
Kauffman Foundation - March 2010

KEY FEATURES

- META Ventures funds are always built as a **public-private partnership** involving Business Angels clubs, Business Incubators and Accelerators, Corporate ventures, etc.
- Are **compliant**, as much as possible, with the EC “off the shelf” equity co-investment funds
- Investments are made **on a deal by deal base**
- Co-investors and MV funds are **independent** in their investment decision: they are free to choose to co-invest together
- **due-diligence** can (not mandatory) be performed **jointly**
- Investments are made under a **pari-passu base** (a certain level of preference may be given to private investors)

Fund Size and Investment Strategy

ONE SIZE DOES NOT FIT ALL

Indicator	Emilia Romagna	Sardinia	Slovenia	Poland
Population	4.357.700	1.671.700	2.000.092	38.200.037
GDP/capita	24.396,00	15.895,00	17.500,00	9.300,00
Inhabitants/Km²	195,8	69,4	100,0	121,9
Youth unemployment rate	18,3%	44,7%	12,4%	23,7%
Public exp in education (% GDP)	2,9	5,3	5,2	5,38
Number of Universities	4	2	4	24
Productivity Level	44.500,00	38.600,00	29.323,30	16.914,40
EU Patents applications per million inhabitants	118,64	7,16	118,85	3,5

INGENIUM SARDINIA

Ingenium Sardinia is an expansion fund investing in more traditional SMEs launched in 2009.

- It can finance **start-ups** and **expansion stage** companies based in Sardinia region;
- **34 million EURO** under management;
- resources **50% public – 50% private**;
- to be invested **min 100k€ to max 1.500k€** (per year, max total 3mil €);
- focus on **ICT, biotech and innovative industries**.

MZV, as **private management company** is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.



META INGENIUM D.O.O. (SLOVENIA)

META Ingenium doo is a public-private early stage fund focused on financing the most promising companies in Slovenia

- It can finance companies seed, start ups and expansion phase stage in Slovenia and for the 30% of the total commitments abroad;
- 10,2 million EURO under management;
- resources 50% public – 50% private;
- to be invested min 100k€ to max 1.500k€ per company;
- focus on ICT, Biomed and most promising industries in Slovenia.

MZV, as private management company is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.



XPLORER FUND

Xplorer Fund is the first proof of concept type of fund based in Poland. It has been launched in early 2015. The fund has been operational since the 3Q of 2015.

- 5 million EURO under management;
- resources 80% public – 20% private;
- to be invested min 50k€ to max 200k€;
- focus mostly on science based start ups;



INGENIUM EMILIA ROMAGNA II

Ingenium Emilia Romagna II Fund is the first public-private early stage fund in Italy, focusing on high-tech companies.

- It can finance companies in seed and start-ups and expansion stage companies in Emilia Romagna;
- 14 million EURO under management;
- resources 50% public – 50% private;
- to be invested min 100k€ to max 1.500k€ per company per year;
- focus on ICT, biotech and innovative industries.

MV as private management company is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.



INGENIUM POLAND

Ingenium Poland Fund has been the first public-private co-investment equity early stage fund in Poland, focusing on high-tech companies.

- It can finance companies in **seed** and **start-ups** and **expansion stage companies** in Poland;
- **25 million** EURO under management;
- resources **50% public – 50% private**;
- to be invested **min 100k€ to max 1.500k€** per company per year;
- focus on **ICT, biotech** and **innovative industries**.

MV as **private management company** is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.



Angel Fund Lithuania

Angel Fund Poland

Xplorer 2 Poland

META Tech Italy

Bulgaria, Czech Republic, Spain....

Examples of Investments and Investment process

PORTFOLIO OF INGENIUM EMILIA ROMAGNA II



EMILIA Romagna Co-Investment Fund

Ingenium Emilia Romagna II, co-invested with selected business angels and early stage investors, looks like this:

Name of the company	Industry/ Sector	Resources invested ('000 EUR)	NAV ('000 EUR)	Number of angels/ co-investors	Investment date
Angiodroid	Biomed	1 900	4 849	43	2013
Biogenera Srl	Biotech	1 160	5 370	40	2013
Cellply	Biomed	1 720	1 720	3	2015
Condomani	ICT	200	200	8	2013
Eugea	Consumer goods & retail	200	liquidation	10	2013
Fazland	ICT	800	800	13	2014
Greenbone Horto	Biotech	1 990	1 973	4	2013
Mperience	ICT	800	800	6	2014
Pharmeste	Biotech	470	36	6	2012
S5Tech	Electronics	2 800	liquidation	4	2013
S-Labs (Spreaker)	ICT	770	3 680	4	2013
Taste italy	Food manufacturing	384	385	4	2013
Wellness & Wireless (Yukendu)	ICT	1 400	1 400	8	2013

Business Case

Biogenera

Headquarters: Bologna (Italy)

Industry: Biotech

Investment: € 2,700,000

Stage: Seed

ZMV ownership: 42%

Investment date: 2009

Valuation: € 50mln

To be noticed: The company collected the interest of more than 40 business angels and MZV.



www.linkedin.com/company/biogenera-spa

Short description: Biogenera is a biotech company engaged in research and development of treatment for pediatric cancer. The company was founded in 2009 by two professors from Bologna University.

The molecule got recognition of Orphan Drug from EMA – the European Medicine Agency and it is now in this Phase I research.

Use of proceeds: The investment allowed the company to go through the pre-clinical and Phase I research.

The Equity Gap An incurable disease?

- The chances for a good start up to access adequate venture capital are scarce
- Can public money be used to attract private investors to cure the disease?



The Equity GAP Suggestions

- More players specialized in seed financing
- Cooperation between Funds and Business Angels (sidecar fund, investment in pool, networking..)
- Public private Partnership with a ultra regional focus
- Action to make the demand side (projects) more visible: eg. pre-seed facility to increase the deal flow of investor-ready project
- To create a more friendly environment to risky business

We need PPP!

Why PPP? Its role in early stage financing

RISK	Basic Research	Public Support	Grants, incentives, scholarships	PRE SEED
	Research			
	Market test			
	Applied research	Public and private partnerships	Equity, Convertible loans guarantee schemes	SEED
	Patenting and licensing			
	Prototyping			
	Industrialization	VC Funds	Private and public equity (IPO)	Venture capitalist

What is a Public Private Partnership?

Definition

- “A Public-Private Partnership is a co-operative venture, built on the expertise of each partner that best meets clearly defined public needs, through the most appropriate allocation of resources, risks, and rewards. In a public private partnership, the public sector maintains an oversight and quality assessment role while the private sector is more closely involved in actually delivery of the service”



Sleeping in the same bed with different dreams... ...mission impossible?

- Public investor is focused on economic development.
- Profit is not a priority.

Private investor looks for profit.



Investor Expectations Common areas

Conventional
Venture Capital

Pre seed
and Seed



 Collateral Returns

 Financial Returns

Risk-Adjusted
Financial Return

Mixed Return

Collateral Returns Public Interest

current development policy objectives

out-sourcing of services

mobilizing private investment

independence of operations

political objectives



Collateral Returns Private interest

- > market information
 - > fishing pool
- > tax abatements (when available)
 - > public relations
- > local development (especially BA)
 - > BUT ALSO
 - > ability to generate deal flow
- > ability to perform effective due diligence and analysis
 - > familiarity with investment structures
- > ability to monitor and add non-financial value
 - > ability to achieve liquidity--exits



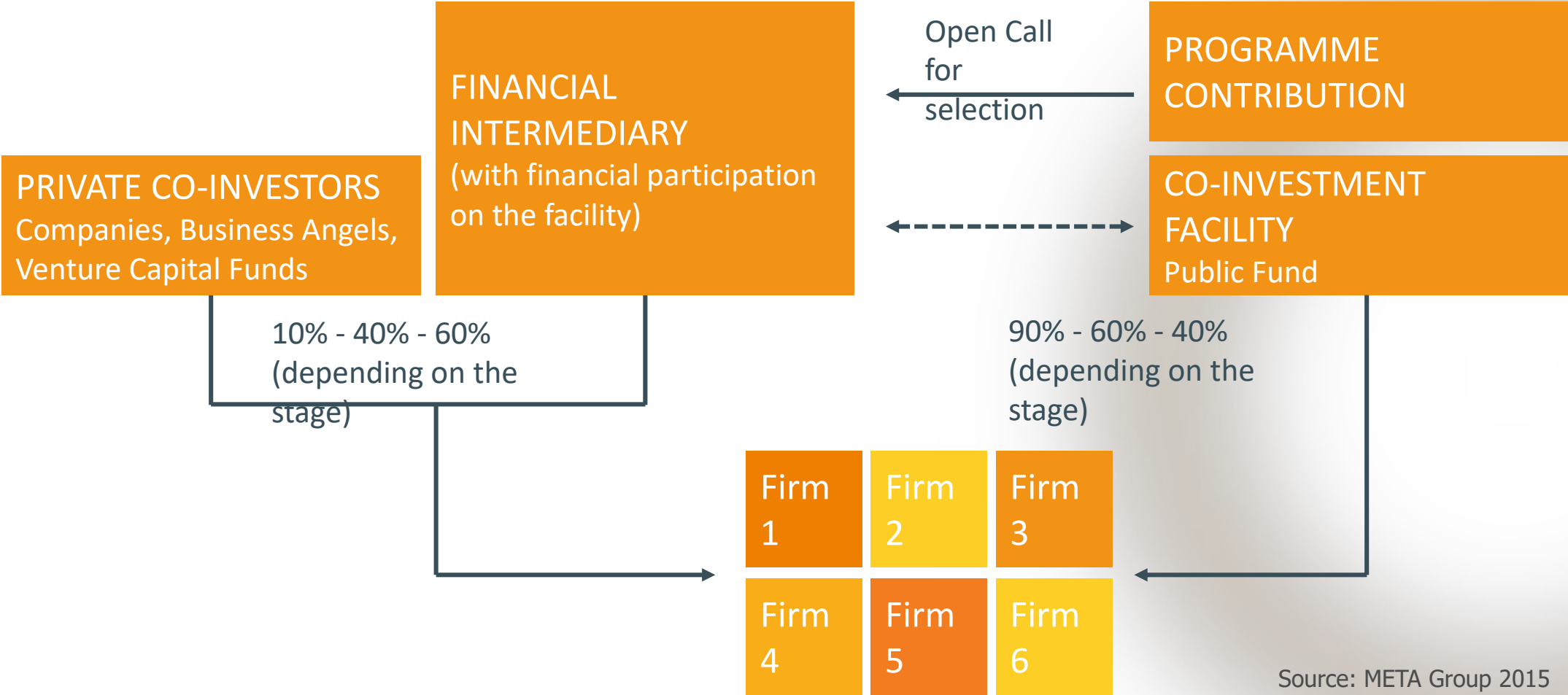
Conditions to make a PPP acceptable In Seed Finance

1. Management must be independent
2. Management should be entrepreneurially driven (i.e. in the same state of mind of the investee entrepreneur/company)
3. Investments should conciliate public strategies with private objectives (regional development, environment, equal opportunities etc,)

Lessons learnt and recommendations

What worked well and what caused problems

ESIF Co-Investment Facility General Scheme



Source: META Group 2015

ESIF Co-Investment Facility General Information

Type of contribution

Provides equity and quasi-equity to eligible SMEs.

Investment targets

Co-invest in SMEs at seed, start-up, expansion stage

Fund duration

The duration is 10 years + 2 of grace period (with the consent of the managing authority).

Size

Size between an indicative range of minimum EUR 10 million and maximum EUR 50 million.

Amount eligible per target

Could invest up to EUR 15M in a single SME.

Additional features and novelties

It is a revolving instrument.

Not only finance but also services.

ESIF Co-Investment Facility

Private co-investors

Private co-investors shall be:

Independent	Economically and legally independent from the co-investment facility.
Qualified	Qualified long-term investors including venture capital funds, business angels, high net worth individuals, family offices, or companies with proven and sophisticated know-how and operational capacity in identifying, assessing, and structuring investments in final recipients.
Risk takers	Must provide a different % of the total funding according to the stage of the target SMES: <ul style="list-style-type: none">• 10% for seed companies;• 40% for start ups;• 60% for expansion companies

ESIF Co-Investment Facility

Financial Intermediary - Fund Managers

Financial intermediaries shall comply with the following requirements:

Legal form	Is a private or public entity.
Professionalism	Takes all investment/divestment decisions with the diligence of a professional manager.
Independence	Is economically and legally independent from the managing authority.
Capital commitment	Has to invest into the facility at least (1%, 4%, 6%, depending on the stage of investment).
Investment procedures	Will undertake, on a deal by deal basis, the due diligence to ensure a commercially sound investment strategy.
Partner selection	Must select suitable co-investors.
Financial aim	Investments within an eligible SMEs have to be profit-driven.

ESIF Co-Investment Facility Managing Authorities

Managing authorities duties and liabilities:

Independence

It shall not be involved in any individual investment/divestment decisions taken.

Monitoring

It will evaluate the measure according to:

- numbers of projects financed;
- value of the investments financed;
- number of jobs created

Selection

It must selected the financial intermediary through an open, transparent and non-discriminatory call

ESIF Co-Investment Facility Legal Agreements

Mandatory legal agreements are:

The co-investment agreement

Contract between the Financial Intermediary and co-investors, which defines the terms and conditions for parallel investment in the final recipients.

The funding agreement

It is the agreement between the Financial Intermediary (FI) and the Managing Authority (MA).

ESIF Co-Investment Facility Additional measures

Additional measures linked to the development of the instrument

The Co-investment fund may be combined with a grant type of support such as aid for initial screening prior to a formal due diligence OR advisory service to support the business development of the companies benefiting from the co-investment facility.

The grant can be part of financial instrument operation or it can be provided through a separate operation supported by the operational programme.

ESIF Co-Investment Facility

Mandatory ex ante assessment

- Ex ante assessment
- Establishment of financial instruments shall be based on a prior and compulsory ex ante assessment which shows evidence of market failures or suboptimal investment situations, disclosing the estimate level and scope of public investment needs, including types of financial instruments to be supported. (see Art.37.2 R.1303/2013)
- Main elements:
 - Rationale against existing market gaps and demand/supply
 - Value added, potential additional public and private sector involvement
 - Target final recipients, products and indicators

ESIF Co-Investment Facility

Term sheet requirements

- Structure of the financial instrument
- Aim of the instrument
- State aid implication
- Lending/ guarantee/ investment policy
- Pricing policy
- Programme contribution to the financial intermediary (product details)
- Programme contribution to financial instrument (activities)
- Managing authority's liability
- Duration
- Alignment of interest
- Eligible financial intermediaries
- Targeted results (reporting, monitoring and evaluation)
- Final Recipients eligibility
- Characteristics of the product for the final recipients
- Evaluation of the economic benefit

ESIF Co-Investment Facility

Management costs and fees - Case of direct assignment

- > Management costs & fees = base remuneration + performance based remuneration
- >
- > Base Remuneration (Equity): up to 2.5% per annum for first 2 years which drops down to up to 1% per annum of programme contribution committed (Art. 13 (1) DR 480/2014)
- > Performance based remuneration (Equity): up to 2.5% per annum (Art.13 (2) DR 480/2014)
- > Note: The aggregate amount of management costs and fees over the eligibility period shall not exceed the 20% of the total contribution. (Art. 13 (3) DR 480 /2014)

ESIF Co-Investment Facility

Management costs and fees - Case of assignment through a competitive tender

- Management costs & fees = base remuneration + performance based remuneration

- When a body implementing the FI, including fund of funds, is selected through a competitive tender the thresholds for management costs and fees set in the art 13 (1) (2) (3) RD 480/2014 do not apply if:
 - A) There is a proved need for higher costs and fees. In this case the costs and fees corresponding to the level of remuneration set by the competitive tender are considered eligible (Article 13 (6) CDR).

 - B) The majority of the capital invested in financial intermediaries providing equity is provided by private/public investors operating under market economy principle, and the programme contribution is provided “pari passu” with the private investors. In this case the costs and fees have to conform to market terms (Article 13 (5) CDR).

ESIF Co-Investment Facility

Legal sources

- > **GBER - Global Block Exemption Regulation**

- > Document: COMMISSION REGULATION (EU) No 651/2014

- > <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=EN>

- > **CPR - Common Provisions Regulation**

- > Document: REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

- > <http://ec.europa.eu/digital-agenda/en/news/eu-regulation-common-provision-regulation-cpr>

- > **CPR's DELEGATED ACTS**

- > Document: COMMISSION DELEGATED REGULATION (EU) No 480/2014

- > <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0480&from=EN>

- > **CPR's IMPLEMENTING ACTS**

- > Only for portfolio risk sharing loan (RS Loan); capped portfolio guarantee and renovation loan

- > Document: COMMISSION IMPLEMENTING REGULATION (EU) No 964/2014

- > http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.271.01.0016.01.ENG

Off the Shelf Equity Co-Investment Financial Instrument

Main Takeaways

Lessons learnt 1

According to our **experience** in managing public-private risk capital funds:

- > Knowledge Intensive Companies (**KICs**) are key for any region and need equity
- > **Financial instruments** (FIs) within ESIF can be used to support KICs
- > **Co-investment** facilities are suitable FIs for managing authorities willing to support **KICs** and R&D results **exploitation** and looking for Public Private Partnerships (**PPPs**)
- > A **deal by deal** approach is what is missing so far and is key to leverage at its best the contribution of the **private sector**
- > Co-investment **facility** (not only funding but also services) including grants and advice to improve impact (investment readiness etc.)
- > **Commercially driven fund manager** is necessary to **take the necessary risk** and build the adequate portfolio, an open and transparent procedure to select this is highly recommended

Main Takeaways

Lessons learnt 2

The size of the fund must be consistent with the investment focus of the fund: the financial need of an early stage company generally is smaller than an expansion deal

A minimal size for an early stage fund is around €15/20 million;

A good size for an early stage fund is around €30/40 million;

“Scouting” costs could be relevant for smaller funds: such as early stage funds cannot be able to reimburse the costs to the Management Companies. MAs can provide grants to cover this costs;

The co-investment instrument attracts more private investors (Bas, VCs) and contributes to **professionalization** of the local community of business angels.

Reflection and possible ideas on the use of financial instruments post 2020

Main Takeaways

After 2020 recommendations

According to our **experience**:

- > Capacity building for managing authorities! **Supporting design and management at central level (EU) is needed and useful but capacity building must be happening at regional Level for long term sustainability**
- > Use the off the shelf!
- > High quality Ex Ante Assessment + transparent tendering and adequate budget
- > **Tendering process for fund management is in most cases very clumsy** - transparent processes are still under questioning, public procedures or not?
- > Ok to develop the Offer i.e. more financial instruments but simultaneously develop the demand side - Strong emphasis on exploitation of research and investment readiness to be developed

Thank you for your kind attention

peter.lalvani@eurekanetwork.org

EUREKA

Peter Lalvani
Data & Impact Analyst

*Policy Learning
Event
Breakout session
Milan
19/10/17*

EUREKA 
innovation across borders

Leading **platform** for
international cooperation

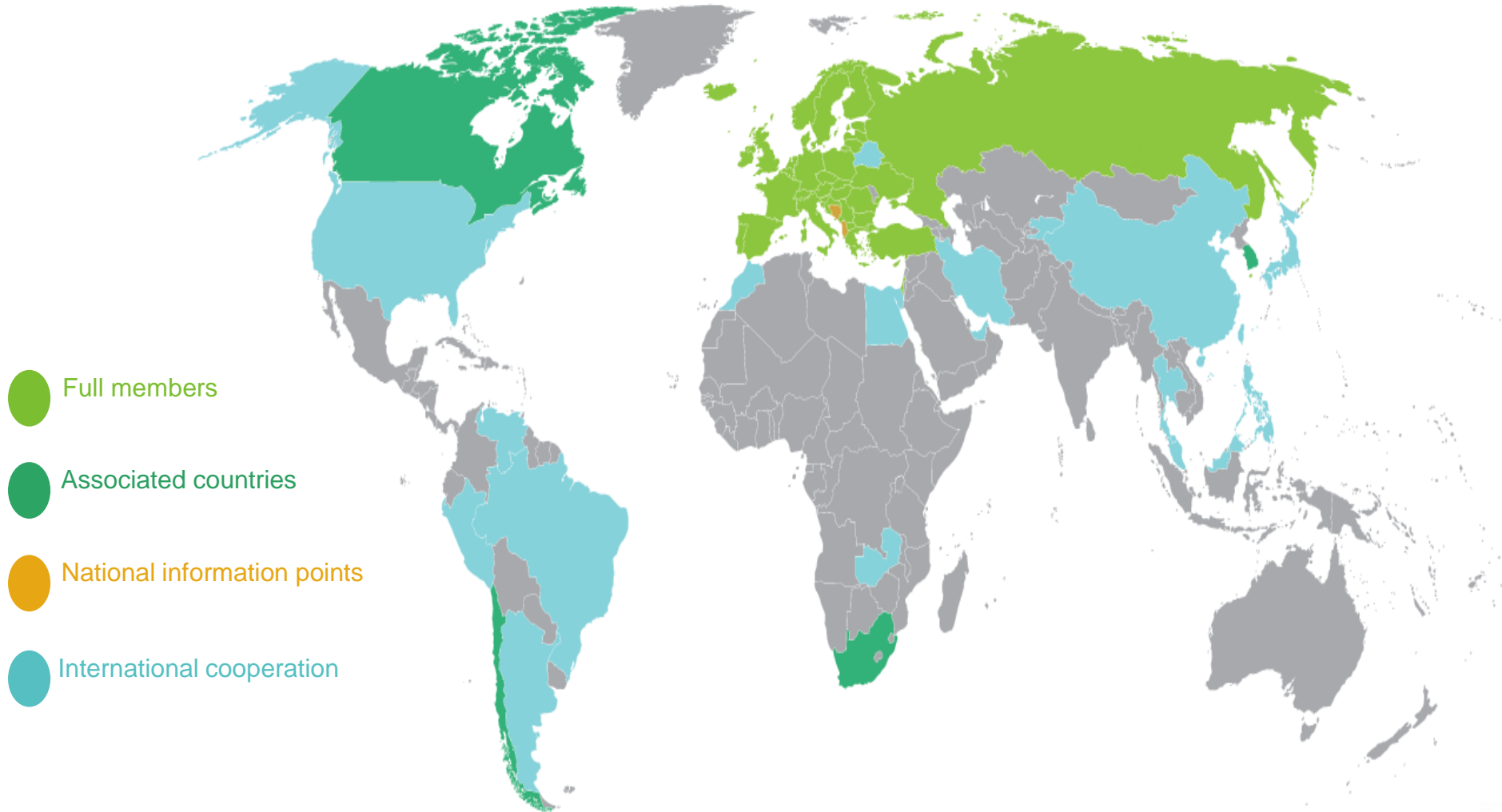
Intergovernmental
network

Supporting
market-oriented R&D
projects

Facilitating
access to finance



46 EUREKA countries

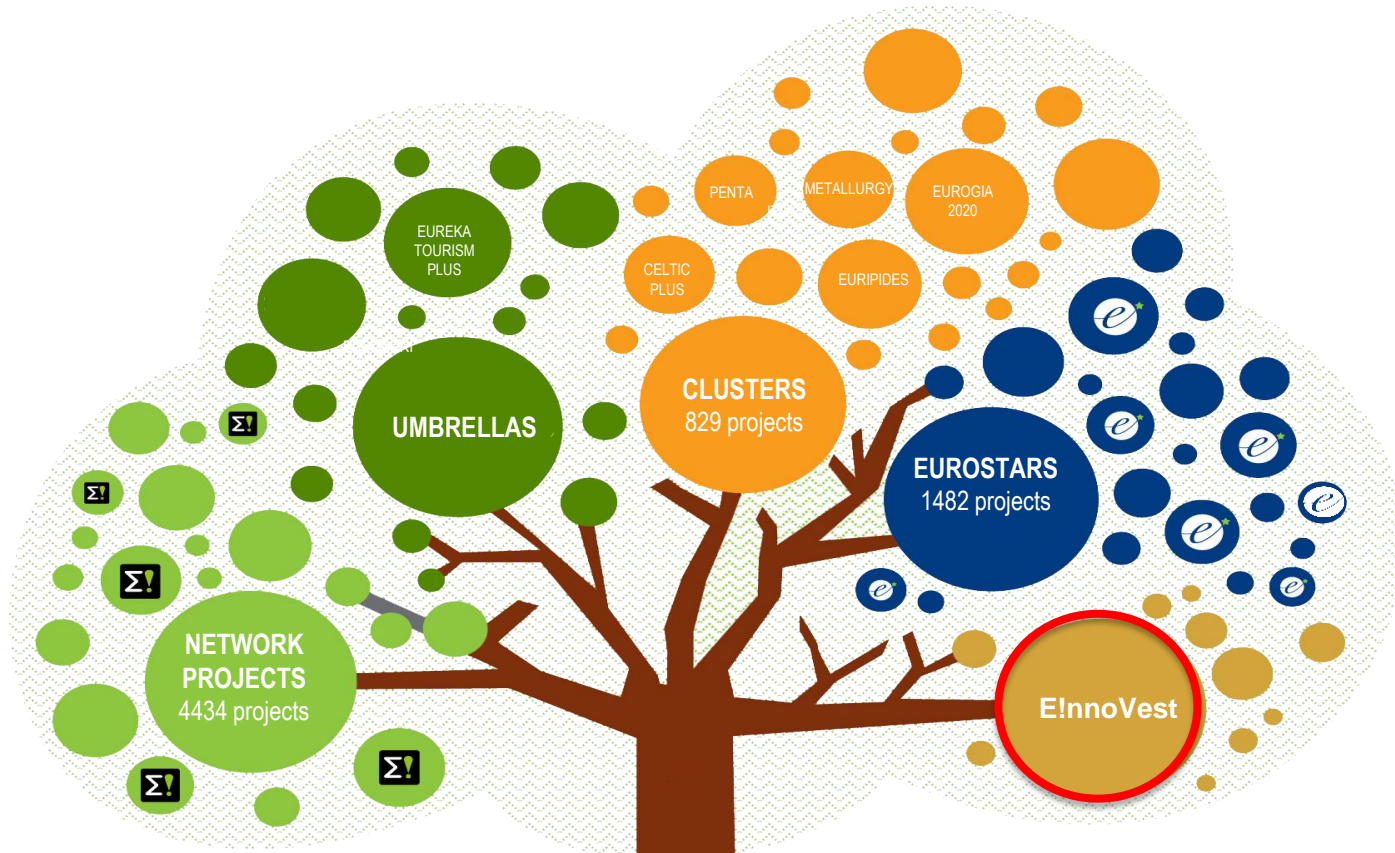


Since 1985...

6.700+
Projects

26.000+
Organisations
Involved

38+ BILLION €
public-private funding

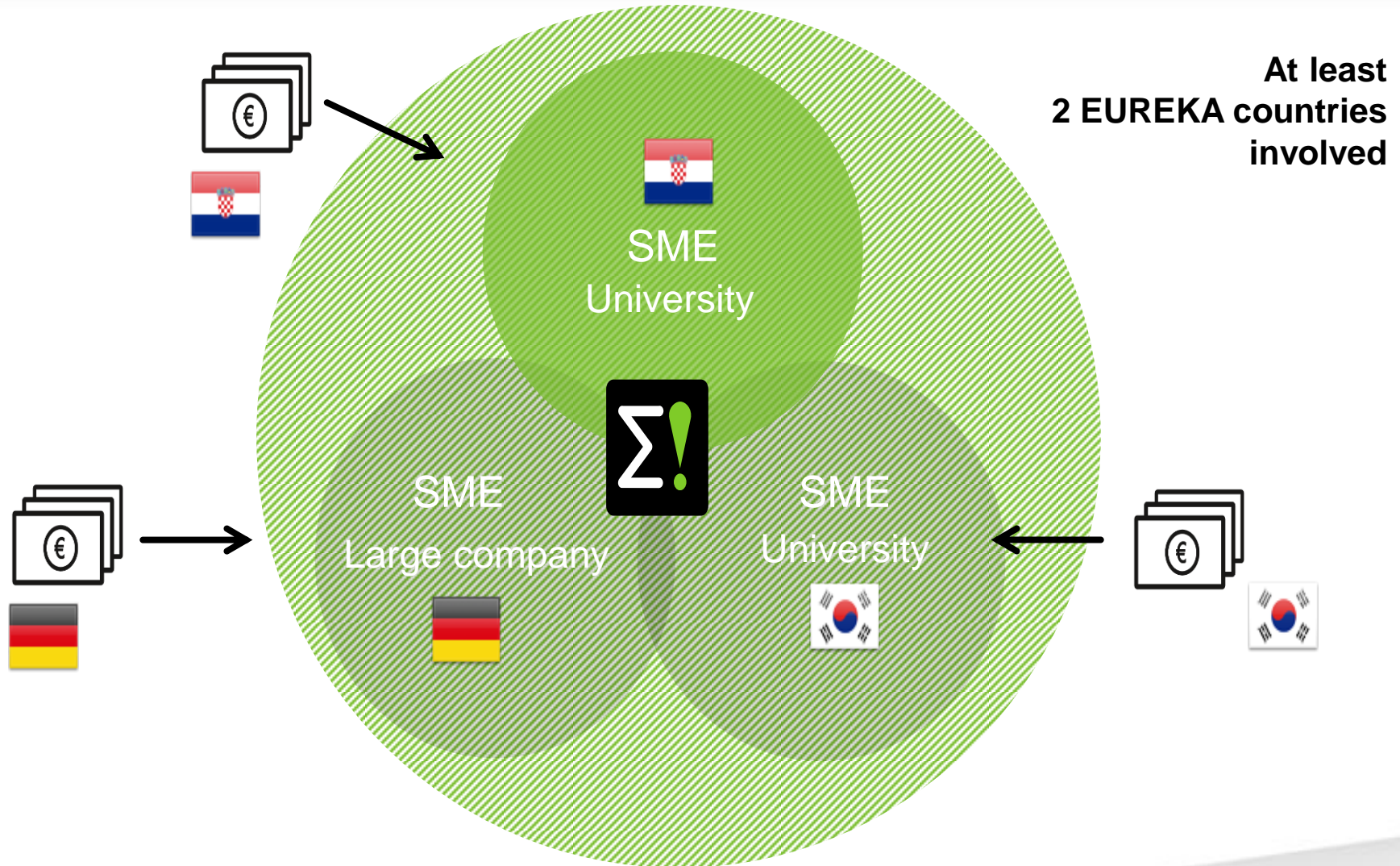


EUREKA instruments

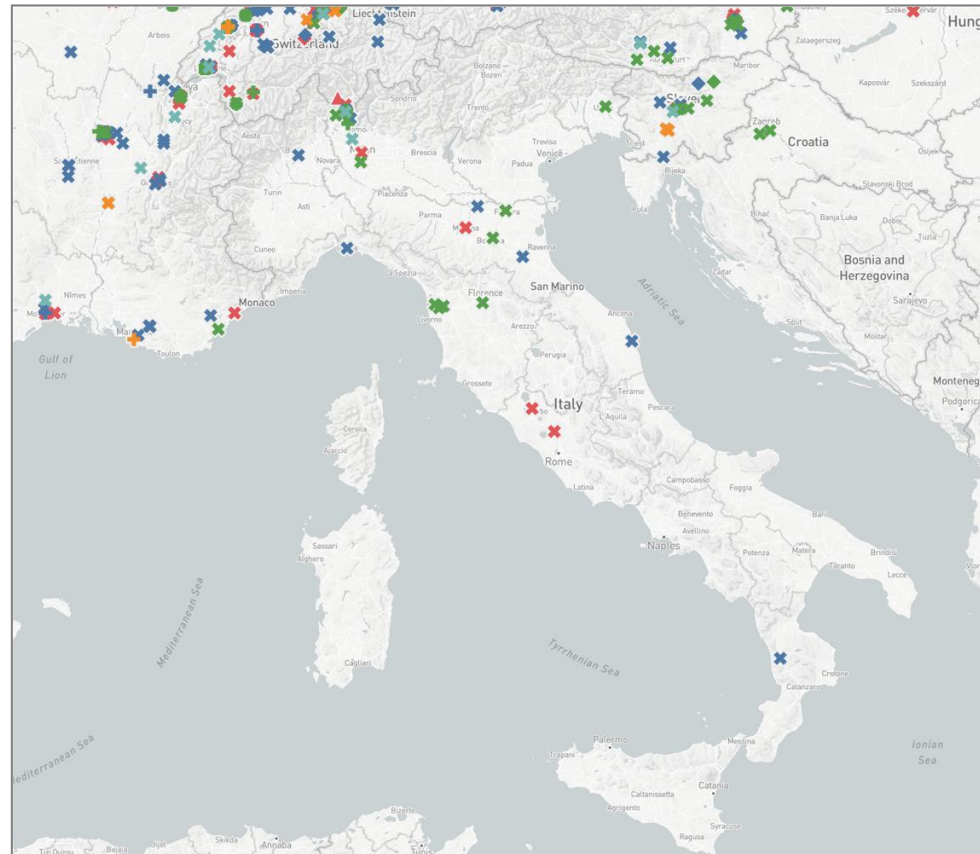
Over 40 countries



Public-private partnership



Eurostars-2 data



<https://www.eurostars-eureka.eu/interactive-data>



**Investment
readiness
programme**



**Business
development**



**Business
and
Investment
coaching**



**One2one
mentoring**



**Matchmaking
with
international
investors**

EUREKA's Investment Readiness Programme

RAISE
the
investment
awareness &
readiness
among
innovative
SMEs

PROMOTE
EUREKA
companies
towards the
investment
community

FACILITATE
investment
matching of
EUREKA
companies
that are
investor &
business
ready

Supported by:



Step 1 – 5 Investment readiness webinars

1. Potential sources of investment
2. Planning the fundraising through an effective process
3. Communicate to investors (including presentations and negotiations)
4. Building your investment ready business plan and value proposition
5. Sales and business development - addressing scaling-up challenges



Step 2 – Coaching Academies



4 COACHING ACADEMIES

~ 60 SMEs

1 Business Academy
with a main focus on
business development

3 Investment Academies
with a main focus on
presentation to investors



Step 3 - One2one Mentoring

One2one mentoring to **35 companies**

Focus on:

Value proposition

Customer segmentation

Business model

Strategic partnering

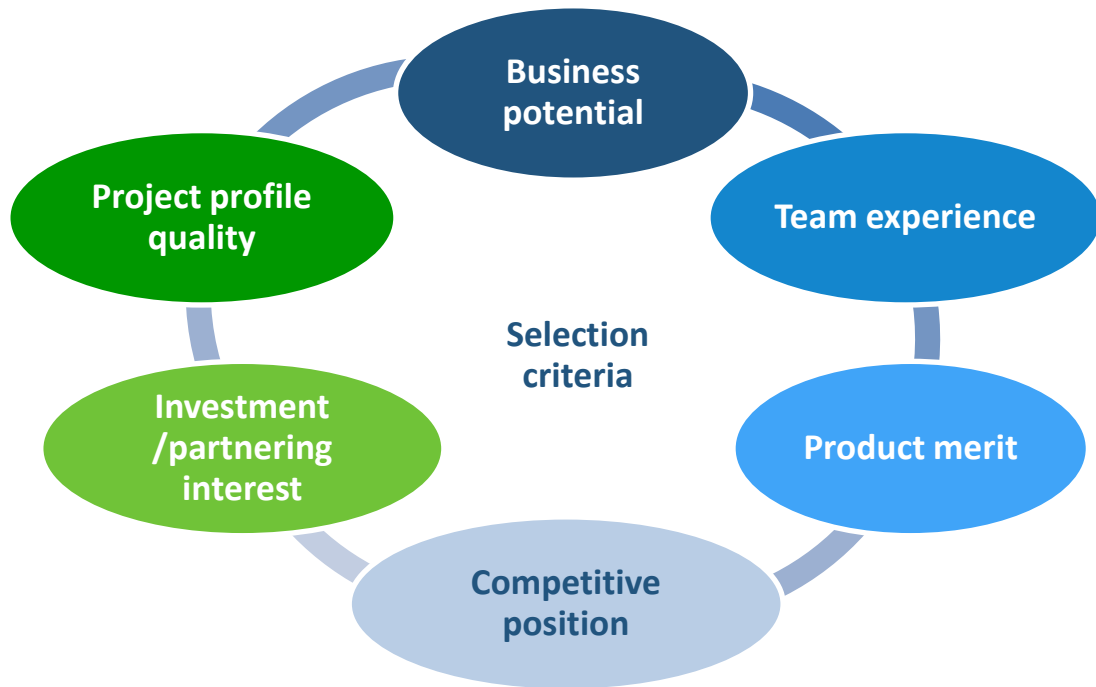
Resourcing & Sales

Scaling-up

...

Step 4 - Online qualification

- Panel of experts rate your **Company profile & presentation** online
- Get specific feed-back and see how you compare to your peers on **6 criteria**



Step 5 - E!nnoVest Venture Forum

Part of the EUREKA Innovation Week
Barcelona, 15-19 May 2017

Forum Highlights

- Dry-run clinics
- Panel discussion
- 30-40 company presentations
- 8 min presentation + 7 min Q&A
- 3 streams (ICT; Life sciences; Cleantech)
- > 30 international and regional investors and experts
- Pre-arranged One2One meetings



Step 6 – Other Venture Forum events



Delivering SME growth & success stories

EUREKA $\Sigma!$
innovation across borders

Venture Academy
Copenhagen, 21 April 2015

In one edition of the programme

> € 7 M



Oscar Chabrera



ICT - Software



Clean tech – Energy efficiency

Christian Vieider



SYNOSTE

Harri Hallila Life science – Medical related

EUREKA



innovation across borders



Thank you!

info@eurekanetwork.org