

EUROPEAN FUND FOR STRATEGIC INVESTMENTS
STEERING BOARD

SME Window - ITAtch

EFSI Thematic Investment Platform
for Technology Transfer in Italy

Adopted by Written Procedure with expiry date 13/12/2016

Proposal by the EIF

Questions concerning this note should be referred to
EFSI Secretariat: tel: +352 4379 82130; e-mail: EFISecretariat@eib.org

SME Window - ITAtech EFSI Thematic Investment Platform for Technology Transfer in Italy

Based on the “Rules applicable to operations with Investment Platforms and National Promotional Banks or Institutions”, approved by the EFSI Steering Board in February 2016 (SB/10/16), the purpose of this note is, following consultation with the EFSI Investment Committee, to request approval from the EFSI Steering Board jointly with the EFSI Managing Director for the ITAtech EFSI Thematic Investment Platform for Technology Transfer in Italy (hereinafter “the IP”) as an equity investment partnership between Cassa Depositi e Prestiti S.p.A. (hereinafter “CDP”) and EIF involving EFSI SMEW Equity Product resources (Sub-window 2).

Approval as an IP structure would enable CDP to benefit from an Italian Ministry of Economy and Finance partial guarantee scheme established to facilitate CDP’s financial contributions in EFSI Investment Platform initiatives. Through such guarantee scheme, CDP could reduce the capital provisioning of its financial contribution to ITAtech, thereby releasing CDP resources which could be invested in other CDP initiatives, including jointly with EIB Group under EFSI.

This IP proposal is linked to a new investment mandate from CDP which is expected to be presented to the EIF Board for approval on 12 December 2016.

1. Background

The Regulation (EU) 2015/1017 of the European Parliament and of the Council dated 25 June 2015 on the European Fund for Strategic Investments (“the EFSI Regulation”) and the “Agreement on the Management of the European Fund for Strategic Investments and on the granting of the EU Guarantee” (“the EFSI Agreement”) - signed between the European Union (“EU”) and the European Investment Bank (“EIB”) on 22 July 2015 - contemplate the creation of Investment Platforms to play a prominent role in the support of EFSI objectives.

The EFSI Agreement defines Investment Platform as “a special purpose vehicle, managed account, contract-based co-financing or risk-sharing arrangement or arrangement established by any other means by which entities channel a financial contribution in order to finance a number of investment projects. Investment platforms may include: (i) national or sub-national platforms that group together several investment projects on the territory of a given Member State; (ii) multi-country or regional platforms that group together partners from several Member States or third countries interested in projects in a given geographic area; or (iii) thematic platforms that group together investment projects in a given sector”.

On 22 July 2016, the amendment of the agreement on the management of EFSI and on the granting of the EU guarantee signed between the European Union and the European Investment Bank resulted in the establishment of the SME Window Equity Product (“SMEW EP”). It is foreseen that National Promotional Institutions (“NPIs”) may access co-funding from SMEW EP, thereby increasing the leverage of the EFSI, EC and EIF resources.

2. Overview of the Proposal

As Italy’s main NPI, CDP has a mission to promote the development of the national economic-industrial system. Through signature of a Memorandum of Understanding (MoU) in June 2016, EIF and CDP have joined forces to partner in the area of equity investments in Italy, most notably to support financing of SMEs, Mid-Caps, and innovation. In the context of the MoU, EIF and CDP are currently in final stages of discussions for the set-up of ITAtech, a dedicated investment platform (up to EUR 200m) aimed at supporting the Technology Transfer (TT) market in Italy. Also, in September 2016, CDP became a founding member of the EIF-NPI Equity Platform, a recently

established consultative body aimed at facilitating cooperation and information sharing among the EIF, the EC and NPIs from across Member States.

Approval is requested for approval of ITAtech as an IP, which will be co-sponsored by CDP and EIF and managed by EIF. The IP seeks to support key TT actors of the Italian innovation ecosystem, e.g. private and public stakeholders including universities, research centres, Technology Transfer Offices (TTOs), etc. EIF will build on its experience in spearheading TT initiatives throughout Europe while capitalising on CDP’s knowledge of and access to the Italian market.

The IP will make investments to catalyse and accelerate the commercialisation of research and innovation into new businesses, most notably by targeting opportunities in the technology sectors in which Italy excels, or is keen to develop, and where there is a proven interest from the corporate and business sectors. The IP investments will be deployed in partnership with private and public research institutions, but by providing funding through private operators, with a view to encouraging processes of technology exploitation, such as generation of licensing revenues, purchase of Intellectual Property assets, and establishment of start-ups and spin-outs.

Through its investment activity, the IP aims to boost the commercialisation of research in Italy by:

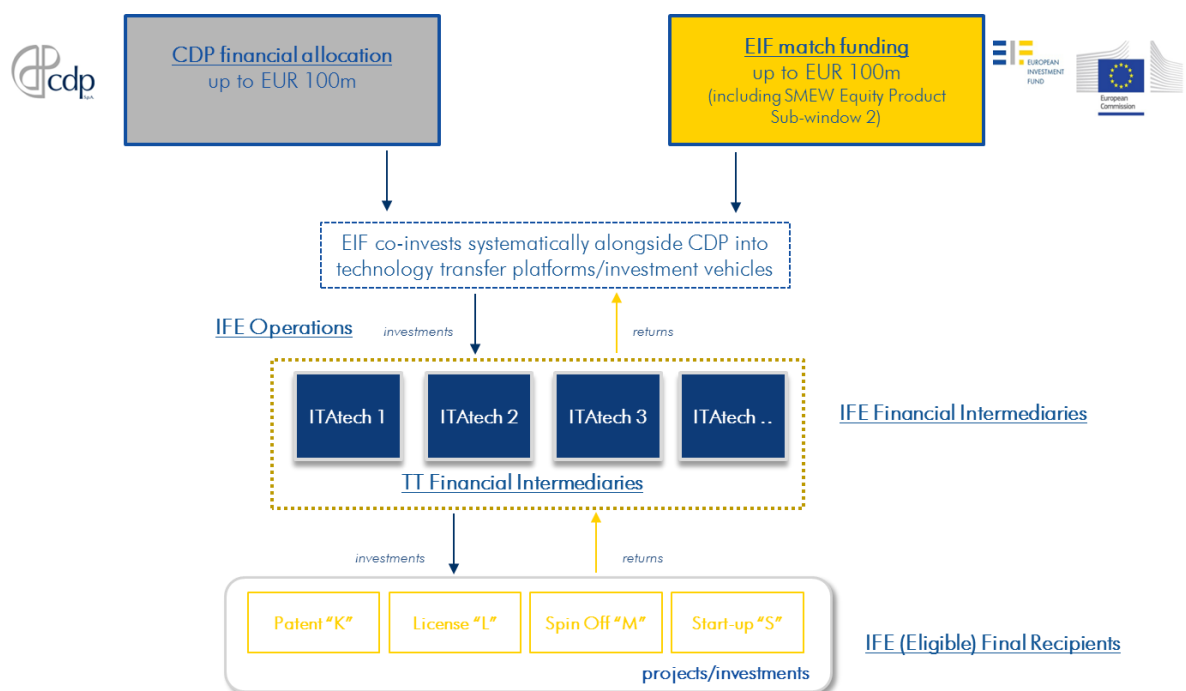
- fostering TT in universities and research centres, operating to the highest standards;
- intensifying university-industry collaboration; and
- enhancing access to finance of early stage innovative companies in Italy.

The decision-making process for individual investments under the IP, including approval thereof, will be taken by the competent bodies of the EIF, in line with standard EIF decision-making processes, policies, and procedures.

3. Structure

The proposed IP would be composed of (i) an EIF contribution of EUR 100m, including through resources from EFSI SME Equity Product Sub-window 2 (IFE) and (ii) EUR 100m in co-financing from CDP.

The proposed IP would invest in 3-5 Italy-focussed TT funds/platforms making onward investments in TT projects, e.g. SME start-ups and spin-offs, patents, and licenses, focussed on Italy.



Establishment of an IP, which would facilitate co-financing using CDP resources, would effectively double the SMEW resources deployed toward investments in TT operators, thereby increasing the multiplier effect at individual TT project (final recipient) level.

4. Principles applying to the IP

The IP hereby proposed would facilitate operational cooperation between EIF and CDP under EFSI SMEW based on the following principles/characteristics:

(a) Focus on market failures and crowding-in

The commercialisation of research in Italy is underperforming when compared to the EU average, especially when considering the significant academic output of Italian universities and research centres in the fields of science and technology. The IP would help address this market failure by focusing on TT projects in a scarcely served market segment and supporting investments at an earlier stage than where existing market operators in Italy normally engage.

Given the absence of dedicated TT platforms in Italy, the proposed IP is not expected to overlap with existing instruments or initiatives, including those of EIB Group or CDP.

The investment strategy of the proposed IP has been underpinned by a dedicated market mapping and engagement exercise aimed at identifying market needs and the scope for initial investments.

The proposed IP structure would enable co-financing from an established, large-scale NPI through a partnership approach expected to serve as a pathfinder for future investments in Italy. It is expected that the proposed IP structure could have positive signaling effects both (i) to expand cooperation with CDP in other thematic investment areas and (ii) to replicate collaboration with NPI partners in other Member States through set-up of similar IPs.

(b) Geographic scope

The IP is largely expected to be a national (single-country Platform). In practice, it is expected that the IP's investments and follow-on investments in final beneficiary TT projects will be based in Italy (potentially also in areas of direct relevance for the Italian market, e.g. possibly located in neighbouring macro-region countries).

(c) Thematic scope

The IP is a thematic investment platform focusing exclusively on TT, as set out in article 5(c) of the "Rules applicable to operations with Investment Platforms and National Promotional Banks or Institutions" approved by the EFSI Steering Board in February 2016 (SB/10/16).

(d) Type of products

The IP will provide equity and quasi-equity investments in TT funds or platforms.

(e) Type of EIB Group EFSI financing to the Platforms

The EFSI Steering Committee is not requested to approve any EFSI SMEW resources for the set-up of the IP. The financing needed to establish the IP takes the form of equity-type financial commitments approved in accordance with EIF internal procedures and CDP's internal governance bodies for their respective financial contributions to the IP.

(f) Proportion of the total Platform financing provided by EIB Group EFSI financing

The IP will be funded 50% through EIF mandate resources, primarily under the SMEW Equity Product.

(g) Sponsor

The IP is co-sponsored by CDP and EIF.

(h) Manager

EIF would be the manager of the IP. In light of its knowledge of and access to the Italian market, it is expected that CDP may contribute to sourcing and origination of individual investment opportunities in TT funds/platforms.

(i) Other non-EFSI providers of funding

The IP will be funded 50% through CDP. While no other third-party funding is foreseen at inception, it may materialise at a later stage in the IP's lifetime.

(i) Legal form

No new legal entity or vehicle would be foreseen for the IP. EIF will set up a contract-based co-financing arrangement with CDP. Each time EIF will finance an eligible TT investment, half of the finance will come from the funds made available by CDP on a dedicated managed account entrusted to EIF.

(k) Approval process

In parallel to the consultation to the EFSI Investment Committee and to the request for approval of the IP to the EFSI Steering Board and the EFSI Managing Director, the financial contribution from SMEW EP and the mandate for EIF management of CDP's co-financing contribution will be submitted for approval to the EIF Board of Directors on 12 December 2016.

(l) Reporting, Accountability and Evaluation, anti-fraud and excluded activities:

EIF, acting as IP manager, will itself fulfil relevant EFSI Regulation requirements as foreseen. As no specific legal entity or vehicle is envisaged, it is noted that reporting would be on the basis of individual investments.

5. Conclusion

The SME Window – ITAtech Thematic EFSI Investment Platform for Technology Transfer in Italy would facilitate co-financing of investments alongside an NPI in an underserved market segment to accelerate technological innovations, especially in the area of key enabling technologies and other EU objectives. Operations under the proposed IP will be deployed through EIF mandate resources, including the SME EP (Sub-window 2), in support of TT, a key focus area targeted by the societal challenges and industrial leaderships of Horizon 2020. In the future, it is expected that additional IPs may be proposed as a result of enhanced operational cooperation between EIF and NPIs under the recently established EIF-NPI Equity Platform.