

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

ORGANISATION DE COOPÉRATION ET
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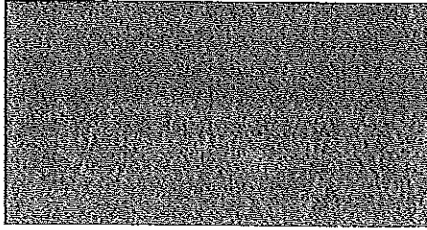
**OECD High-Level Financial Roundtable:
Fostering long-term investment and economic growth**

7 April 2011

Room document n°7

Creating a better environment for
financing business, innovation and green growth

Richard Pelly
European Investment Fund

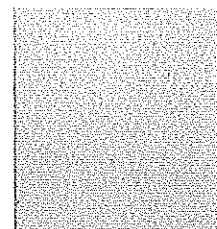


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Executive, EBF

07 April 2011 | OECD PARIS

European Invest
ment Bank Group



Creating a better environment for financing business, innovation and green growth

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The current environment

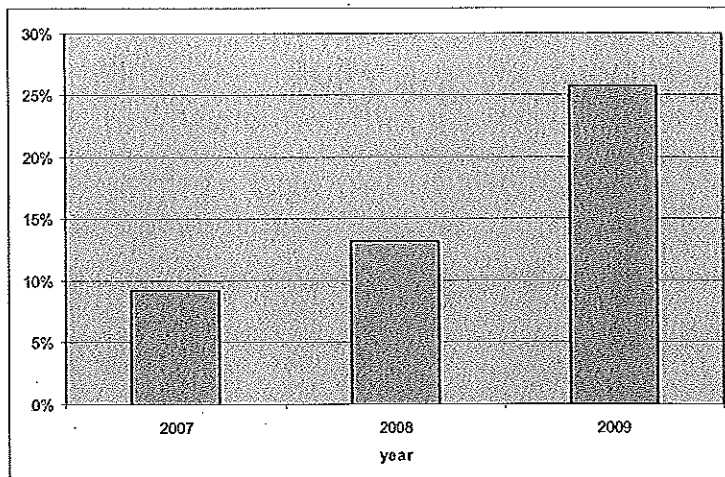
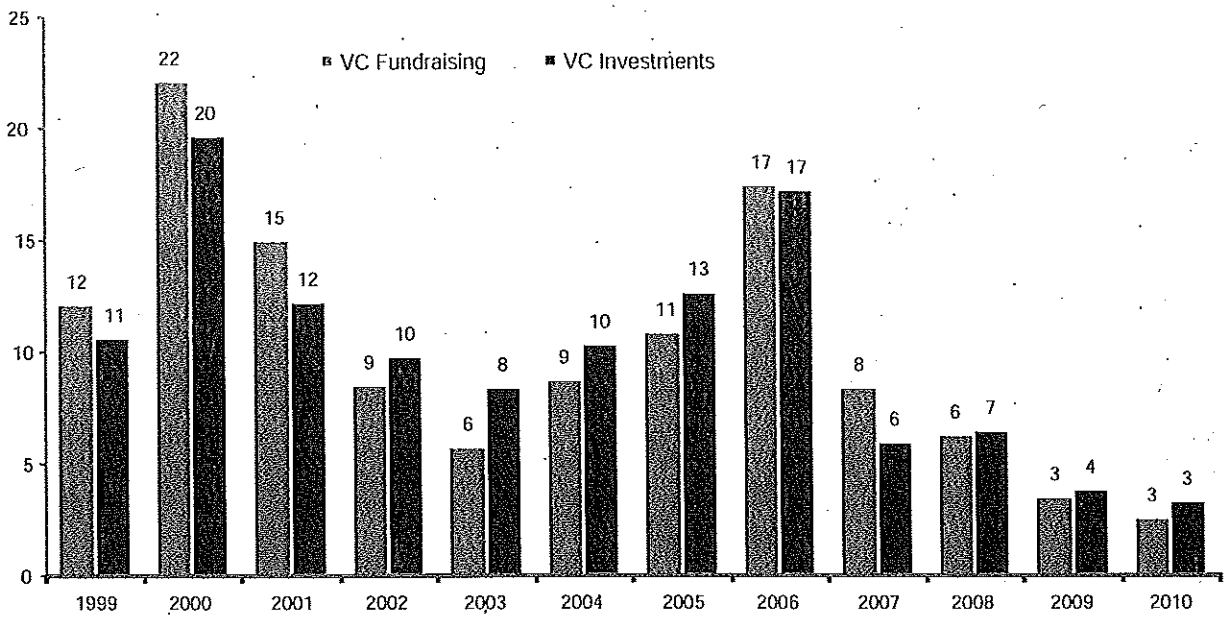
I. Availability of Equity

- “Traditional” problems of early stage finance (“The Equity Gap”)
- Low returns in European Venture Capital (in the aggregate)
- Challenges of public finance for innovation
 - Political influence
 - Quality of Investment Professionals
 - Short term view
 - Crowding out

Example: VC market in Europe



in € billion



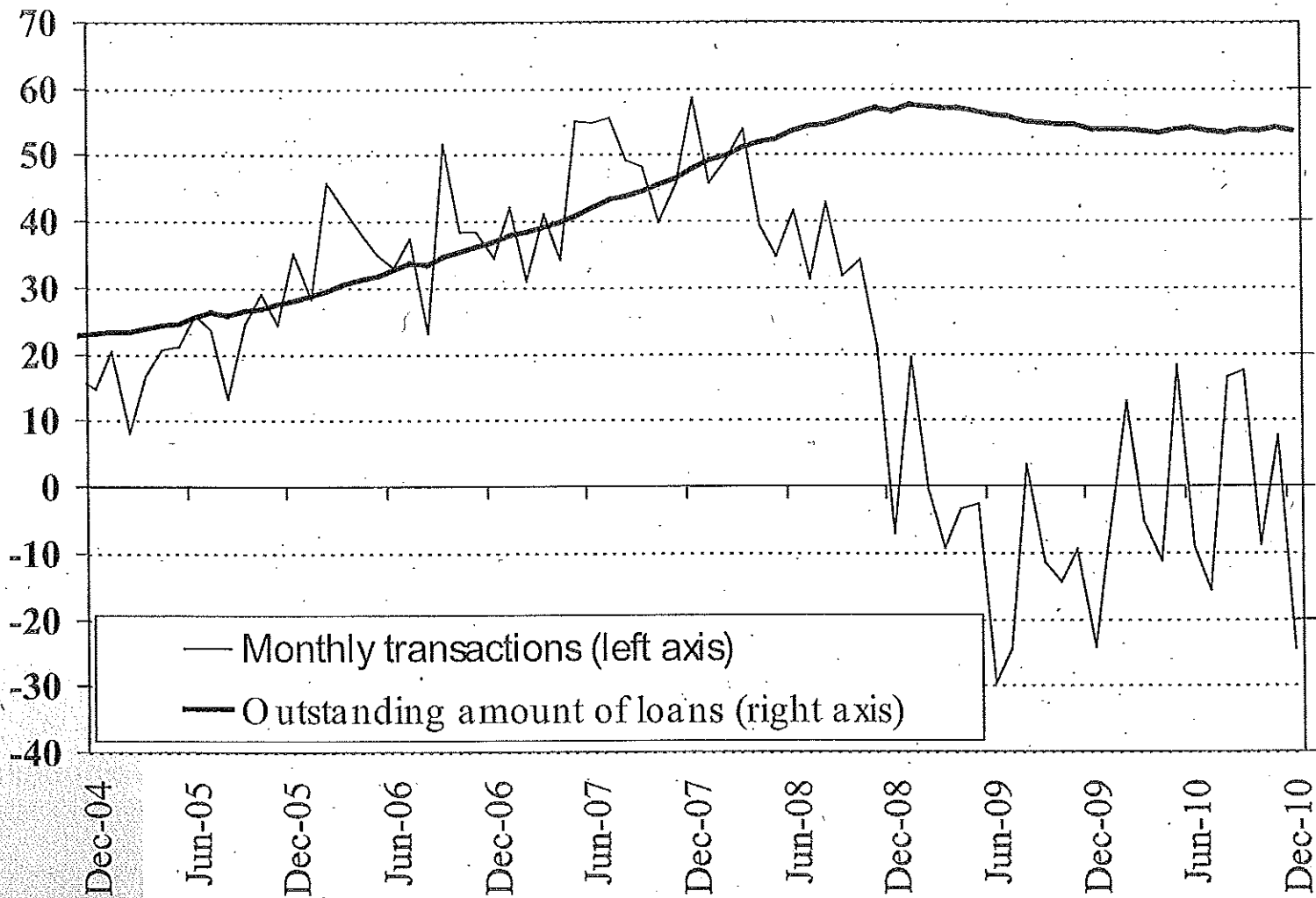
Share of government agencies in total (known) VC fundraising in Europe (source: EVCA)

The current environment

II. Supply of Debt to private sector

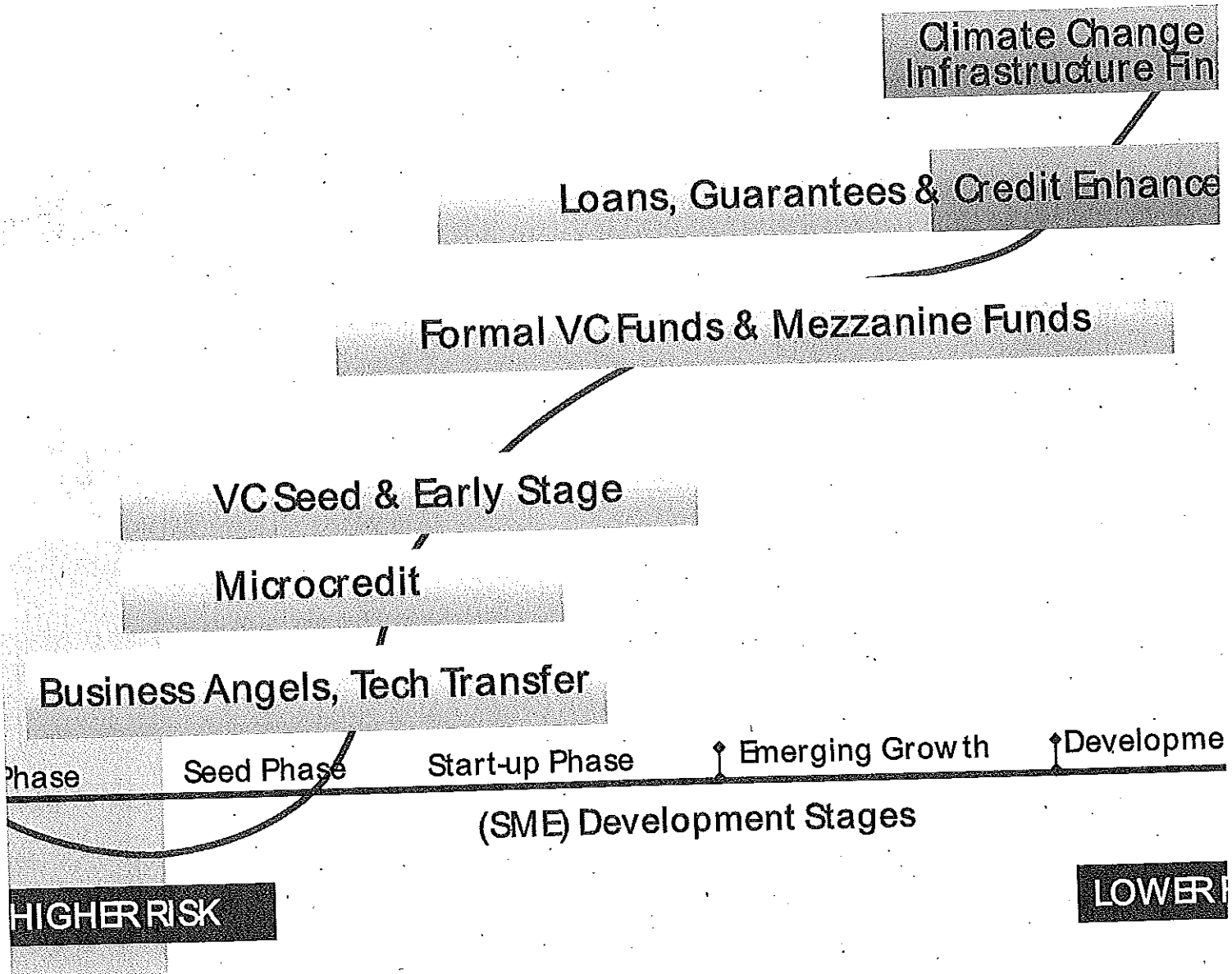
- Record Drop in annual loan growth in 2009
- Potent mix of supply and demand factors
- Important factors have averted worst
 - Low interest rates
 - Demand side policies
 - Bank Intensive Care Units

Bank lending to non-financial firms in the euro area (in € bn)

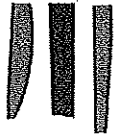


Source: ECB Monthly Bulletin

Financing business, innovation and Green Growth



EB Group creating better environment



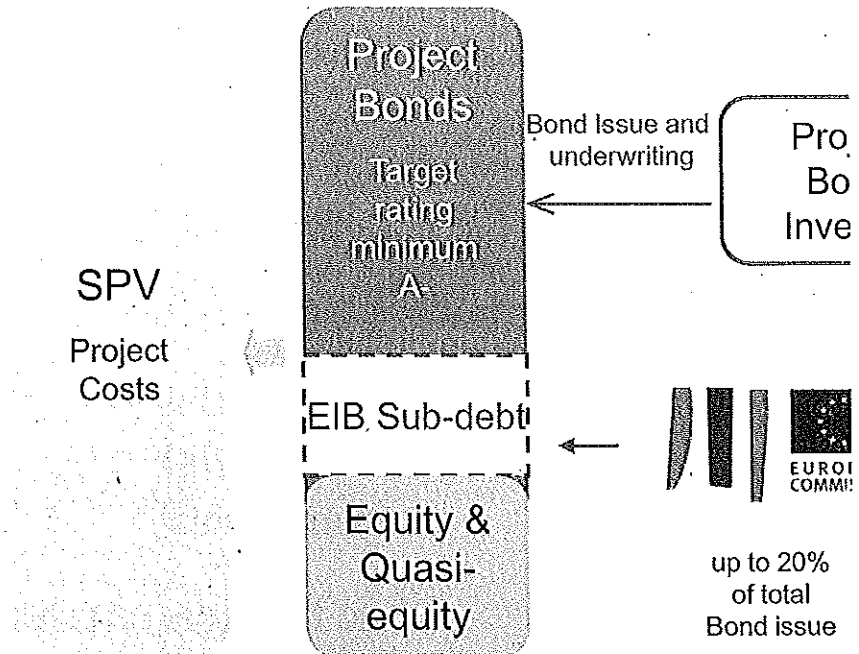
- Key player in Europe 2020 Strategy
- Ingredients for success – mirroring United States
 - Transformation of grants into revolving financial instruments
 - Structuring public + private sector interventions to reflect risk and return (financial, social, environmental)
 - Public budgets catalysing private investment in new PPP models

Specific Focus – Project Bonds

EUROPEAN
INVESTMENT
FUND



- Sharing all categories of project related risks.
- Wider eligibility range across sectors.
- Unfunded and funded.



up to 20%
of total
Bond issue

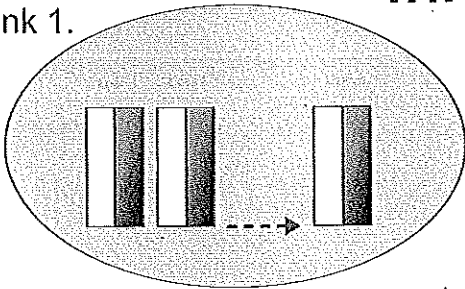
- **EIB Sub-debt** participation can be combined with different types funding sources (bonds and other senior loans)
- **EIB Unfunded Sub-debt** participation can be flexibly used and structured in order to ensure target rating.
 - Covers funding shortfalls during construction
 - Comes on top of a fully funded structure

Specific Focus - Risk Sharing for Innovation

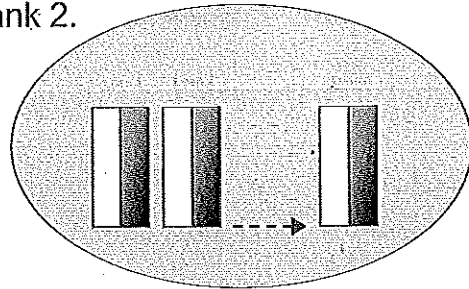


EU-wide Structure

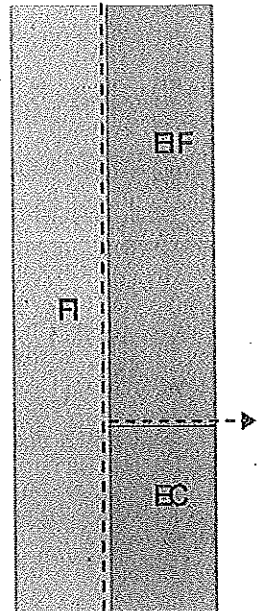
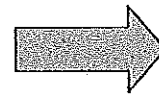
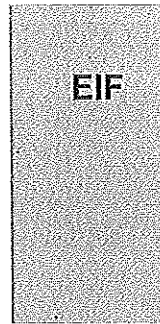
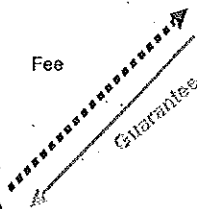
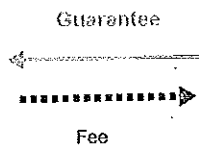
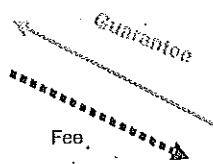
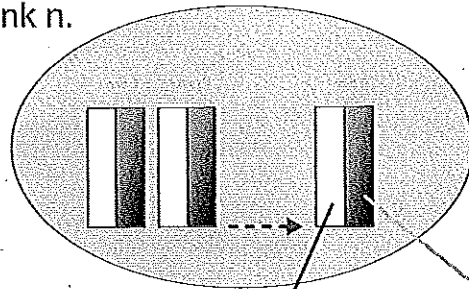
Bank 1.



Bank 2.



Bank n.



Guarantee Rate

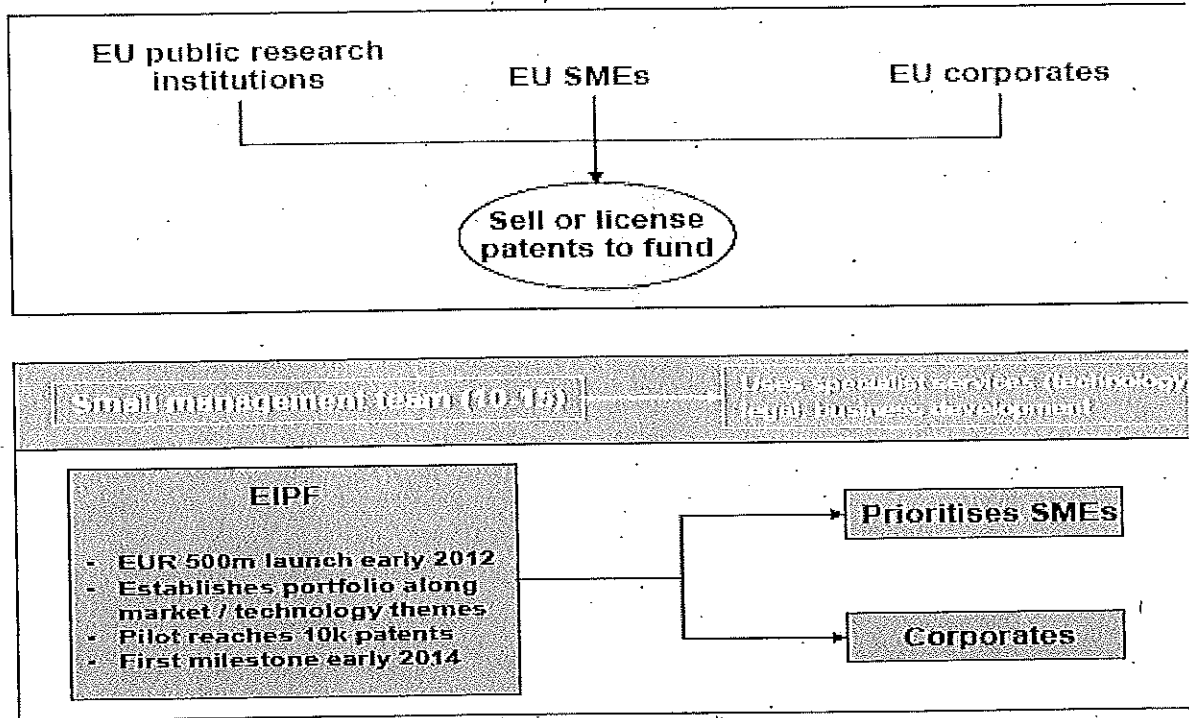
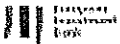
Risk covered by RSFF scheme
Risk retained by the FI

Specific Focus - Intellectual Property Advanced pilot projects



European IP Fund (EIPF)

Partners



Summary remarks



- Extremely challenging environment for Venture and Growth Cap and higher risk Debt Finance
- New Breakthrough Approach required
- Intensive collaboration between EB Group and European Commission on Product and Instrument Design for Europe 2020
- Full cooperation required with Member States, International Financial Institutions and OECD