

Mid-term review
Horizon Europe
Brussels, March 2024

Executive Summary

Investments in innovative projects present unique challenges both for innovators and investors. First of all, in innovative projects, funding is needed to finance the brains responsible for research and development. In addition, there might be uncertainty regarding the technical viability of these projects, and whether they will be easily placed on the market. The EU Horizon Europe programme is playing a crucial role in this regard and helps to make the European economy more resilient and sustainable.

Three years after the start of the Horizon Europe Programme ELTI members would like to share experience and give some recommendations.

- Retain the three-pillar programme structure of Horizon Europe, showing a continuity that is beneficial for those participating in its programmes.
- The publication of work programmes and the complete digitalisation of project management are successful and essential elements to enable the businesses to identify possible support mechanisms, prepare their applications and implement their projects.
- ELTI members note businesses' strong interest in the support offered by the European Innovation Council (EIC) to finance European *deep tech* companies.
- It remains difficult for SMEs to get involved in collective projects under Pillar 2, especially in taking on the coordinator role. We recommend encouraging SMEs' involvement in collective projects more vigorously. Consolidate Eurostars as a key mechanism in the Horizon Europe programme for SMEs' involvement in collective projects.
- The requirements of the deep tech investment market need to be addressed in a more focused way.
- Broaden and boost the dissemination of key technologies such as artificial intelligence (AI) across the entire Horizon Europe programme given their transformative nature for industry and services.
- Improved operational coordination between the EIC fund (EIC Accelerator) and national public investment institutions and funds should be sought given the challenges the EIC faces. Beneficiaries would thus also benefit from the knowledge, expertise and networks of domestic investors.
- Start-ups and scale-ups, including those supported by the EIC, continue to need additional support measures to enhance their access to European and international markets.

Research & Innovation triggers growth through knowledge and understanding of the world, enhances progress and improves efficiency, leading to a better quality of life for everyone. At the same time, the development and adoption of new technologies and production processes are critical success factors for economic resilience and are essential in the efforts toward sustainability.

Investments in innovative projects present unique challenges both for innovators and investors. First of all, in innovative projects, funding is needed to finance the brains responsible for research and development. In addition, there might be uncertainty regarding the technical viability of these projects, and whether they will be easily placed on the market. The EU Horizon Europe programme is playing a crucial role in this regard and helps to make the European economy more resilient and sustainable.

Europe provides a high share of global innovations, thanks to pioneers amongst both European companies and public authorities. National Promotional Banks and Institutions (NPBIs) all over Europe promote such investments, often by assuming a high share of risk. They speak the language and understand the culture of their clients, facilitating the financing of innovative projects. And by doing so, they help to preserve Europe's competitiveness.

Long term investors can leverage on Horizon Europe and implement it at different levels:

- i) Horizon Europe sector-focused programmes management:
 - The “Key digital technologies” (KDT) and “High-performance computing” (EuroHPC) Co-funded European Partnerships that finance collective projects in these fields.
 - Innovative SMEs (including Eurostars 3 - European innovation ecosystems) for SMEs' collective RDI projects.
- ii) Management of financial and non-financial support programmes to facilitate national businesses' participation in Horizon Europe, including the role of National Contact Point for the EIC Accelerator, national coordinator for the “plug-in” and involvement in the Enterprise Europe Network.
- iii) Co-investor with the EIC Fund in *deep tech* companies.
- iv) Support services manager for the European Innovation Council (EIC) to connect businesses with investors, to provide training in pitching for fund raising, and consultancy for funding providers.

ELTI members are pleased to pass on their comments and proposals regarding the Horizon Europe programme.

1. Successes noted

Cross-cutting comments on the three pillars of the Horizon Europe programme:

- We stress the importance of retaining the three-pillar programme structure, relative to Horizon 2020, showing a continuity that is beneficial for those participating in both programmes.
- The publication of work programmes and the complete digitalisation of project management are also essential to enable businesses to identify possible support mechanisms, prepare their applications and implement their projects.

As regards Pillar 3:

- ELTI members note businesses' strong interest in the support offered by the European Innovation Council, launched as a pilot scheme in 2018 to finance European *deep tech* companies. By financing, through subsidies and equity, businesses developing capital-intensive, high-risk, ground-breaking innovations, Horizon Europe is meeting a significant market need, vital in terms of growth potential and economic sovereignty.
- The search for greater reciprocity between domestic schemes and the EIC through the plug-in mechanism is also very much to be welcomed.
- Perpetuating the Innowide programme (Innovative SMEs - European innovation ecosystems) to finance viability assessment projects to increase the uptake of European innovative solutions in markets outside of Europe is a decisive new measure to help European companies export.

2. Obstacles and unmet needs

- We note that it remains difficult for SMEs to get involved in collective projects under Pillar 2, especially in taking on the coordinator role, and that finding partners is still a complex area for newcomers to this type of project.
- Operational difficulties have also been observed with the EIC Accelerator, which could have lessened some companies' interest in the programme. It is vital that the fund is deployed as effectively as possible, under conditions that take into account the requirements of the deep tech investment market (speed of due diligence and investment execution, simplicity of access and monitoring, a close relationship with the investment beneficiary business, etc.).

3. Recommendations

- Encourage SMEs' involvement in collective projects under Horizon Europe Pillar 2 more vigorously.
- Broaden and boost the dissemination of key technologies such as artificial intelligence (AI) across the entire Horizon Europe programme given their transformative nature for industry and services.
- Consolidate Eurostars as a key mechanism in the Horizon Europe programme for SMEs' involvement in collective projects so as to boost start-ups' access to the European market and SMEs' exploitation of disruptive technologies. Under the circumstances, it would seem to be worth increasing Horizon Europe's 30% contribution to the Innovative SMEs programme to 50% to increase its impact.
- As regards the EIC Accelerator, improved operational coordination between the EIC fund and national public investment institutions and funds could be sought, given the large number of businesses applying and the challenge the EIC faces handling applications. The EIC fund would rely on the due diligence conducted by domestic investors in deep tech companies submitting applications and would appoint them to execute and monitor investments on behalf of the EIC fund once the EIC fund has made a positive investment decision. Beneficiaries would thus also benefit from the knowledge, expertise and networks of domestic investors.
- Additional support measures could be put in place to benefit start-ups and scale-ups, including those supported by the EIC, to enhance their access to European and international markets.

The European Association of Long-Term Investors – ELTI

ELTI members represent an European-wide network of National Promotional Banks and Institutions who offer financial solutions tailored to the specific needs of their respective country and economy. Multilateral financial institutions complement the activities at national level with specific cross-boarder solutions or investments with an European impact. Following the specific public mission of each member the business model of each institution differs from country to country including different products and approaches. This is the same for multilateral ELTI members. Most of the members offer various debt-products but not all members have a mandate for investment in equity.

The 31 members of the European Long-Term Investors Association (ELTI) a.i.s.b.l. are major long-term investors and represent a combined balance sheet of EUR 2,7 trillion. The Association promotes and attracts quality long-term investment in the real economy, including:

- strengthening cooperation, including at an operational level, between European financial institutions as well as with other Institutions of the European Union (EU) acting as long-term financiers;
- informing the EU and its Institutions on the role and potential of the Members as institutions and agencies for long-term financing;
- strengthening the access of the Members to information on matters related to the EU;
- exchanging information and experiences among Members and with national and international organisations sharing the Association's interest in the promotion of long-term investment;
- developing the concept of long-term investment within the economic and financial sector and promoting academic research on long-term investments;
- representing, promoting and defending the shared interests of its Members in the field of Long-Term Investment in full transparency.

The Full Members of ELTI are generally national official financial institutions dedicated to the promotion of public policies at national and EU level¹. The European Investment Bank (EIB) as the status of a permanent observer. ELTI also includes Associate Members notably multilateral financial institutions, regional financial institutions and non-banking institutions².

¹ Oesterreichische Kontrollbank (OeKB) Austria, Federal Holding and Investment Company (SFPI) Belgium, Bulgarian Development Bank (BDB) Bulgaria, Croatian Bank for Reconstruction and Development (HBOR) Croatia, National Development Bank-CZ (NRB) Czech Republic, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d'Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, Hellenic Development Bank (HDB) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, INVEGA Lithuania, Société Nationale de Credit et d'Investissement (SNCI) Luxembourg, Malta Development Bank (MDB), Malta, Invest-NL The Netherlands, Bank Gospodarstwa Krajowego (BGK) Poland, Banco Português de Fomento (BPF) Portugal, Slovak Investment Holding (SIH) Slovakia, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Credito Oficial (ICO) Spain

² Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors Association (LTIIA), Participatiemaatschappij Vlaanderen NV (PMV) Belgium, , NRW.Bank Germany, Consignment Deposits and Loans Fund (CDLF) Greece, Investment and Development Fund of Montenegro (IRF) – Montenegro, Turkiye Sinai Kalkinma Bankasi (TSKB) Turkey