

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Framework Operation for the Innovation and Digitalisation Guarantee – Portugal InvestEU Member State Compartment

Type of approval: Framework Operation

Type of Financial Intermediaries: Mainly commercial banks

Type of Final Recipients: SMEs (including Micro Enterprises); Mid-Caps (Small Mid-Caps)

Country(-ies) of implementation of the operation: Portugal

Short description of the financing or investment operation:

The **Innovation and Digitalisation Guarantee** shall provide support to innovation and digitalisation driven SMEs and Small Mid-Caps. Consequently, it shall aim to enhance access to finance to R&I intensive SMEs and Small Mid-Caps as well as support the uptake of digital technologies and digital transformation of enterprises.

This Framework Operation is expected to contribute to the objectives set out in Portuguese Recovery and Resilience Plan (RRP) (as approved by the respective Council Implementing Decision), in particular by incentivising private investment and improve access to finance providing financial support via debt financing through intermediaries for the competitiveness of SMEs, and possibly also to support (i) private investments from Small Mid-Caps and individuals and (ii) firms' competitiveness in particular (but not exclusively) by means of investments in the innovation, digitization and/or greening of their activities.

Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

- **Item 5 of Annex II of the InvestEU Regulation:**

research, development and innovation

- **Item 6 of Annex II of the InvestEU Regulation:**

the development, deployment and scaling-up of digital technologies and services, especially digital technologies and services, including media, online service platforms and secure digital communication, that contribute to the objectives of the Digital Europe Programme

- **Item 7 of Annex II of the InvestEU Regulation:**

financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies.

Research and Innovation (R&I) investment is a critical driver of productivity and economic growth, and essential for maintaining the EU's global competitiveness. However, a persistent investment gap remains.

¹ This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Innovation may relate to a specific technology or processes, products or services. Innovation can also relate to innovation in business model where the risk is not purely a technology risk but also a market risk. Digitalisation, particularly investment in Information Communication Technologies “ICT” has a strong impact on innovation, job creation, productivity and economic growth. The adoption of these digital technologies by European businesses across all sectors is essential for Europe to remain competitive in a global marketplace, to prepare enterprises to expand into new markets and/or adjust to structural changes.

The Innovation & Digitalisation Guarantee shall provide support to innovation and digitalisation driven SMEs and Small Mid-Caps. Consequently, this EIF Product will aim to enhance access to finance to RDI-intensive SMEs and Small Mid-Caps as well as support the uptake of digital technologies and digital transformation of enterprises.

The additionality of each Sub-Project falling under this Framework Operation will be ensured by the application of any of the items below, in line with Annex V.A.2 of the InvestEU Regulation.

- Additionality shall be deemed to be met via each Sub-Project as financial intermediaries will originate final recipient transactions which carry a higher risk profile than the risk generally deemed acceptable by such intermediary, inter alia, in the form of targeting final recipients of lower creditworthiness; or
- Implementing financing solutions in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF’s website which carry an increased risk profile (e.g. bespoke financing arrangements, targeting excluded segments, industries or geographies, etc.).

Additionally, the Innovation and Digitalisation Guarantee shall also seek to support investments aiming to enhance the transfer of technologies and research results to the market to support market enablers and cooperation between enterprises, the demonstration and deployment of innovative solutions and support for the scaling up of innovative companies.

Additionality may also be achieved via the application of any of the following items, as per Annex V.A.2 of the InvestEU Regulation:

Item (b) of Annex V A (2) to the InvestEU Regulation

support through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources

EIF expects to support financial intermediaries in originating final recipient debt transactions, which meet the enhanced access to finance measures, as described in the InvestEU Call for Expression of Interest published on EIF’s website. These measures ensure that the debt financing support provided to target final recipients is made on more favourable terms, compared to the standard credit and collection policies of financial intermediaries. The measures include, but are not limited to, improvement in financing tenor, pricing conditions or collateral requirements.

Item (c) of Annex V A (2) to the InvestEU Regulation

Support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner’s own standard activities or support to implementing partners in exceeding own capacity to support such operations

Guarantee instruments are typically not part of EIFs own balance sheet standard activities and are implemented by EIF via third-party mandates. Building on the previous EU guarantee instruments, the Innovation and Digitalisation Guarantee Product implemented under the InvestEU Member State Compartment, will enable

the EIF to support this ecosystem at a scale that would not be possible or not to same extent out of other EIF managed resource for that purpose.

Item (f) of Annex V A (2) to the InvestEU Regulation:

support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets

This Framework Operation is aimed at provision of support towards enhancing access to finance for target final recipients in the research, innovation and digitalisation space. These sectors represent critical drivers of productivity and long-term economic growth as well as an essential tool for maintaining competitiveness. However, a persistent investment and access to finance market gap remains, often driven by the inability for target final recipients operating in such sectors, especially in developing regions, to provide tangible collateral/security and thus excluded from traditional capital markets.

The following market failures are addressed by the Framework Operation:

Item (b) of Annex V A (1) to the InvestEU Regulation:

Externalities which the operator or company generally fails to internalise, such as R&D investment, energy efficiency, climate or environmental protection

Item (c) of Annex V A (1) to the InvestEU Regulation:

Information asymmetries, in particular in the case of SMEs and small mid-cap companies, including higher risk levels related to early-stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities.

Item (e) of Annex V A (1) to the InvestEU Regulation:

Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology.

A persistent investment and access to finance market gap remains, often driven by the inability for target final recipients operating in such sectors, especially in developing regions, to provide tangible collateral/security and thus excluded from traditional capital markets.

Access to finance remains one of the biggest challenges SMEs face in Portugal. According to the Survey on the Access to Finance of Enterprises (SAFE) in 2023, Portugal remained in the top 3 EU Member States where SMEs report to rely the most on bank loans as their main source of funding. According to the same report, Portugal was one of the five Member States reporting the highest SME loan rejection rates. These results are consistent with the conclusions of the fi-compass 'Gap analysis for small and medium-sized enterprises financing in the European Union', issued in 2020, which reported a debt financing gap in Portugal of EUR 7bn, the highest gap to GDP across the EU's 27 Member States.

This already acute pre-pandemic situation is now aggravated by the current economic context of uncertainty, high interest rates and more stringent collateral requirements, which are increasingly hampering the capacity of Portuguese SMEs to undertake productive investments.

The implementation of InvestEU MS-C guarantees is thus of paramount importance to incentivize eligible final recipients to carry out their tangible and intangible investments in order to strengthen or maintain their competitive position.

The EIF, via the Sub-Projects that will form part of this Framework Operation, will contribute to addressing the market gap depicted above.

Financial intermediaries benefitting from the Innovation and Digitalisation Guarantee under the InvestEU Portugal Member State Compartment, will originate debt transactions/issue guarantees, in line with their credit and collection policies and procedures and in accordance with the eligibility criteria of the portfolio guarantee product.

EIF provides practical guidance to financial intermediaries in order to ensure terms and conditions of the guarantee are met and to facilitate the deployment and ramp-up of the portfolio. This may take the following forms:

- Ad hoc assistance (e.g. monitoring, reporting, eligibility checking, etc.)
- Dedicated informative sessions/Webinars for participating Financial Intermediaries
- Advice and guidelines provided during or after EIF's desk or physical monitoring visits

The Innovation and Digitalisation Guarantee under the I Member State Compartment in Portugal will build on the experience of the InnovFin SMEG, where a network of local financial intermediaries supporting innovation and digitalisation has been created. InvestEU Innovation and Digitalisation guarantee aims to continue supporting this network of existing intermediaries, as well as expanding to include new counterparties. As a result, this guarantee will play a critical role in the continuation of support to innovation and digitalisation extensive companies as well as stress the importance of this policy intervention and encourage additional players to finance such enterprises. The guarantee will enable intermediaries to continue or develop a dedicated market offering to innovative enterprises.

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation

(Excellent)

Pillar 4 - Financial and technical contribution by the implementing partner (Very Good)

Pillar 5 - Impact of the financing or investment operation (Very good)

Pillar 7 - Complementary indicators

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively 4.76x for uncapped guarantee and 14.29x for capped guarantees	Preliminary estimation
Multiplier Effect	Indicatively 6.66x for uncapped guarantee and 20x for capped guarantee	
Expected amount of investment mobilized	Indicatively EUR 1.2bn for uncapped and EUR 2.6bn for capped	
SMEW specific Indicators		
(a) Number of enterprises supported (expected):	Ca. 6,200 enterprises (including SMEs + Small Mid-Caps), to be achieved at the level of the instrument	Preliminary estimation
(b) Allocation volume dedicated to SME/Mid-Caps [%], if it can be reasonably estimated at the moment of submission:	Ca. 95% SMEs Ca. 5% Small Mid-Caps	

ESG aspects

Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.