

Conclusions

Framework Operation #40 for SMEW RIDW Joint Equity Product – Digital and CCS Investments Sub-Product

INVEU-ICR-0117-2023 – Small and Medium Enterprises and Research, Innovation and Digitalization Window (SMEW-RIDW)

Short description of the financing or investment operation and its objectives

Financial intermediaries	Typically Private Equity/Venture Capital Funds, Technology Transfer vehicles
Final recipients	Early Stage (Seed, start-ups and other), SMEs, Mid-Caps
Countries of implementation	EU27 and/or Iceland and Norway
Implementing partner	European Investment Fund (EIF)

The Sub Projects under this Framework Operation will aim primarily at supporting:

- the growth of cloud service providers, smart European middleware platforms and system integration offerings and innovative cloud-to-edge services and components thereof,
- the emergence and growth of cybersecurity specialised intermediaries, enabling them to achieve a critical mass of investments in both early and growth stages,
- IoT, SG, quantum technologies and edge computing, as well as other fast-growing undertakings, by facilitating access to growth finance for these companies active in technology,
- Nascent market of equity investments particularly in audio-visual entertainment area- film production and distribution, cinema, TV, radio and video streaming, video games and innovative formats, such as virtual reality experiences,
- Investment in Edtech.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 8 December 2023 for the above-mentioned operation.

Europe remains an active source of fundamental research and development application, thanks to its high number of engineers. However, transitioning from research to market proves a very difficult step, mainly because of the reluctance of generalist investors to support highly technical projects which require longer times to maturity and usually lack early commercial traction while the technology is being developed. Hence patient and risk-taking capital is required.

Conclusions

Moreover, through Q3 2023, the European VC fundraising sits at half the level of 2022, with capital raised by first-time VC funds trending even below the general fundraising declines in VC. The fundraising boom experienced during the covid years has dried up and most of the managers, even established firms, are struggling to fundraise as private capital sources shy away from the asset class waiting for price adjustments in the portfolios and being mindful of their own liquidity situation.

This Framework Operation aims at directly addressing the financing gap in this sector by supporting (i) companies developing, scaling and deploying innovative digital technologies in the EU and (ii) first-time and emerging teams in fundraising capital.

EIF's commitment is expected to be instrumental in both allowing first-time funds to materialise and diversifying and enlarging the intermediaries' investor base with new investors for new market sectors and/or geographies. In particular, EIF is expected to play significantly the role of cornerstone investor and quality stamp, thus playing a catalytic effect on private institutional investors in support of the existing or novel funds. In this regard, the EIF's investment is often critical to a fund reaching its target size, thereby ensuring its successful launch.