

The logo for SID Banka features a stylized 'S' composed of three segments: a red dot, a red curved line, and a blue curved line. To the right of this symbol, the word 'Banka' is written in a blue, sans-serif font.

SID Banka

SID - Slovenska izvozna in
razvojna banka, d.d., Ljubljana

**FINANCIAL INFRASTRUCTURE -
AN INTEGRAL PART OF
INNOVATION INFRASTRUCTURE**

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Human Factors – KEY TO INNOVATION

- Innovators are individuals, not corporations or institutions.
- People are innovative if incentivized correctly and adequately.
- Consumers should be the ones that drive innovation and research.

Human factors seen as key to innovation success



65%

Innovative behaviors and culture



63%

Fresh thinking



52%

Strong C-suite leadership



47%

Clear business model



32%

Increasing innovation budget

Q: What are the most important factors that impact successful innovation at your organization?
Source: PwC's Innovation Benchmark
Base: 1,222

- Private VC funds and business angels, when investing, they want key researchers and innovators to remain in the underlying investment organization for as long as possible.
- How to connect public sector researchers and innovators with the private sector?
 - Allow for spin-off companies
 - Part of the public institute project portfolio to be dedicated to private funding and cooperation (i.e. 30%)
 - Allow for key researchers and innovators to move from the public institute into a spin-off or start-up company and be able to move back again once their physical presence in the company is no longer required
 - Adequately reward researchers and innovators from the public sector for patents or commercialization of projects in terms of appreciating their effort in their academic careers
- Researchers and innovators have decided, long time back, that they want to pursue their academic and research careers, rather than becoming „just another“ manager.

Managers (public and private) may wish to connect private and public RDI stakeholders, but unless such desire transcends onto the operational level, it will never get executed!

CONDITIONS TO FINANCE INNOVATION

- There is not enough public funding available to finance RDI
- Public funding should be complemented by private funding (so called „leverage“).
- Private funding will come if:
 - Supported by public funding in ways of risk sharing, risk taking, co-financing etc. (depending on the type of investment)
 - There is a relevant generation of pipeline of projects available.
- Eventually, if enough private support is achieved, at least some industry experts, know-how and access to markets will be made available so that some sector focused companies will be interested to seek funding themselves, rather than to road-show abroad and sell off pilot projects (cheaply) to US based in China based investors.
- Slovene based companies typically prefer to stay in Slovenia. An environment must be setup to allow them to do so effectively.

CONDITIONS TO FINANCE INNOVATION

- A good example of how it can be done is the **SEGIP** program
- EFSI program
- Two new local Private Equity Funds:
 - Both will share a 25 mil € investment from SID Banka leveraged by another 25 mil € provided by EIF
 - They managed to gather commitments from Slovene private institutionalized investors in a common size of over 100 mil €, thereby providing 4 times SID Banka's investment size in available assets to finance fast growing Slovene based companies.
- Companies that were able to develop through VC and pre-seed financing (accelerators) will thereby get funding to finance their growth in Slovenia rather than having to turn to foreign investors
- An example of a financial incentive for a market with available pipeline resulted in setting up a common financial infrastructure
- Another 50 mil € available through open call and co-investment (cases locked)

NEW INSTRUMENTS FOR INNOVATION

- It is clear that the financial infrastructure and the innovation infrastructure is intertwined
- If Slovenia can provide a pipeline of feasible projects, SID Banka will be able to introduce new way to finance it and provide for private funding leverage
- Two new possibilities:
 - A CV fund/platform, another EFSI backed instrument that could provide 50 mil € of fresh capital for start-ups and innovative companies across the next 4-5 years in Slovenia
 - A regional Tech-transfer platform that would promote and finance transfer of new pilot projects from the public research and innovation organizations onto the market (backed by EFSI and potentially ESIF as well)
- Other loan based instruments, including subordinated loans
- 13 mil € to be made available to start-ups as capital and convertible loans until 2023 though Slovene Business Fund, backed by Fund of Funds, managed by SID Banka

Thank you

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