

## CROATIAN GROWTH INVESTMENT PROGRAMME (CROGIP)

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### - FREQUENTLY ASKED QUESTIONS - Published on 15 May 2019

In accordance with the provisions of the [Call for Expression of Interest](#) (the "Call") published on EIF's website on 15 March 2019 to select Fund-of-Funds Promoter(s) under the Croatian Growth Investment Programme (CROGIP) you will find here below a list of the most commonly asked questions.

Unless defined otherwise in this FAQ, all capitalized expressions used in this document shall have the meaning attributed to them in the above-mentioned Call for Expression of Interest.

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**1. What are the total amount of funds available under the Call?**

The total amount potentially available for the current selection process is up to EUR 50m. This is comprised of an indicative amount of up to EUR 25m from HBOR with matched funding from other EIF managed resources (subject to satisfying the eligibility criteria and compliance with the terms of such matched funding). Depending on the due diligence process and selection this could be shared amongst more than one selected Financial Intermediary.

**2. At what point must the team setup a licensed company for fund management?**

The EIF expects that the selected applicant should have all required licenses in place in time for the signing of the EIF subscription documents and not necessarily at the time of the application. As such details on legal form in the application should be what is currently envisaged or expected. To the extent that the applicant is already licensed and/or registered, these details should be provided in the application.

**3. What are the limitations should the fund decide to invest amounts outside of Croatia?**

Subject to complying with the terms of the applicable matched funding, which may have additional requirements, provided that the requirement that at least 70% of amounts drawn down from all investors in the Fund for the purpose of investments are invested in Croatia is fulfilled, the remaining 30% does not need to have any Croatian elements. In certain circumstances this could include non-EU investments.

For the avoidance of doubt, this does not restrict investments in any enterprise based in Europe having activities also outside of Europe.

Please note that these limitations are measured in aggregate at particular points in time as specified by the relevant mandates (such as at the end of the investment period and at the end of the fund life).

Notwithstanding the above, all investments will still be subject to the EIF's and the EIB Group's policies and procedures in place from time to time including, but not limited to, (i) the Jurisdiction Policies (as defined below) and (ii) the Guidelines on the EIF Restricted Sectors.

**4. What constitutes "Croatia as country of its main operations"?**

This would constitute where the largest proportion of the enterprise's activities take place, such as production, R&D or operations. It would as such also be where the most significant part of the workforce is based.

Please note that regional SMEs which are present in Croatia are also permitted as investments if they do not have Croatia as their country of main operation as long as the investment they receive is aimed at establishing a long term presence in Croatia.

**5. Are there any other limitations regarding the jurisdiction of the fund aside from the requirement for the fund to be established in the EU?**

In addition to being authorised or registered in an EU member state under the applicable national law, the jurisdiction of the fund may also be restricted pursuant to the EIF's and the EIB Group's policies and procedures in place from time to time including, but not limited to, (i) EIF's Policy on Offshore Financial Centres and Governance Transparency, (ii) EIB Group's Policy towards weakly regulated, non-transparent and non-cooperative jurisdictions and tax good governance, (iii) EIB's Group Policy on Anti-Money Laundering and Combating Financing of Terrorism Framework (the "**Jurisdiction Policies**").

**6. Are there any limitations in terms of management fee structure?**

Subject to compliance with the terms of the applicable matched funding, which may have additional requirements, there is no prescribed fee structure that the team must abide by. However, the EIF expects the fund to follow best market practice and to economically be consistent with what the EIF sees in the market. When rating the applicants, terms and conditions will be considered along with the other elements mentioned in the Call.

**7. What level of detail is expected in the applicant's presentation of the pipeline?**

The EIF respects the needs for confidentiality and does not insist on names of companies (although any information will remain confidential). However as much detail as possible to understand the strategy of the applicant would be beneficial. This would include items such as sector, a description of the business model of the company, available equity commitment, approximate valuations, deal type (minority or majority) and basic financials (such as EBITDA and sales).

**8. For the purpose of investment is replacement capital permitted?**

Replacement capital is permitted including cash-out – as long as this is not solely for the purpose of asset stripping. Similarly a transfer of business through a buy and build model is also permitted. As stated in the Call, the primary purpose is for growth and expansion equity, which should see new equity injected into the business for the purpose of growth (either organic or via add-ons)

**9. Would establishment of an investment advisor in Serbia be in compliance with CROGIP Investment Guidelines and Selection Criteria?**

Pursuant to the terms of the call, the investment fund manager must be established in an EU member state and the investment team of the investment fund manager must be independent.

The investment fund manager must also show a significant presence in Croatia by being established with at least a branch office in Croatia and having sufficient staffing with personnel, including at least two investment professionals, to be based in Croatia, that are able to operate in the Croatian business environment (including having appropriate language skills).

Subject to the Jurisdiction Policies, it is permitted for the investment fund manager to have other elements outside of Croatia as long as this is consistent with the strategy. The fund itself must also be established in the EU.

**10. Can CROGIP commitment be included in the fund's second closing and under which conditions?**

Subject to the terms of any additional funding and the relevant investment thresholds specified in the Call, yes. Although ideally CROGIP would aim to be a first close investor, it would be possible for CROGIP to enter at a second closing as long as the terms are pari passu with other investors.

**11. Are Croatian pension funds considered as Croatian public money for the purpose of the Call?**

No, Croatian pension funds are not considered as public money for the purposes of this Call.

**12. Is commitment from the fund management company and the management team considered part of the private investment?**

Provided that the commitment is not otherwise being financed with public money, the Manager and team commitment will be considered as private investment.

**13. What is the rationale of transfer rights to HBOR?**

The EIF will act as a fiduciary for HBOR and as such will hold their commitment on behalf of HBOR. The agreement with HBOR is sufficient in timespan to last the full life of the fund including possible extensions. If HBOR was to terminate its agreement with EIF, EIF would transfer to HBOR its pro rata commitments in the Fund and HBOR would be obliged to fulfil their obligations under the LPA but in their own name as a limited partner.

**14. Can an applicant be a manager of an existing fund, if a new manager is established later in the process for the purposes of the Call?**

Yes, the applicant can be a manager of an existing fund providing that best market practices are followed and that the team members have a reasonable work load so that they can fulfil their duties if they were selected under CROGIP. Best market practice would include non-competing investment strategies between the funds, appropriate restrictions on cross-over investments and co-investments, appropriate time commitments on the part of the management team and also that the existing fund is not in its investment period.

**15. What information should be given for a first time applicant where there is also the involvement of a sponsor?**

In the case of a first time fund, the applicant should focus on the proposed structure and set up of the future Financial Intermediary itself, including any relationship with a sponsor and connected parties should this be the case. The legal identity should thus focus on the Financial

Intermediary's envisaged set up and structure of its corresponding legal entities, whilst any additional details of connected parties can also be included. Please note that pursuant to the Call the investment team of the Financial Intermediary must be independent when it comes to the investment decisions – the sponsor should not be involved in this regard.

**16. Who can submit the Expression of Interest on behalf of the Applicant – must it be the legal representative of the manager or can a team member be the Authorised person?**

The person who submits the Expression of Interest should be submitted by someone who is duly authorized to act on behalf of the Applicant and, in the case of a non-incorporated Applicant, should be someone who, following such incorporation, would take a senior position in the Applicant.

**17. In the case of Eligible Final Beneficiaries receiving an investment aimed at establishing or developing a long-term presence in Croatia is it necessary for the enterprise to be also established in Croatia?**

Yes, the Eligible Final Beneficiaries must be established in Croatia although they do not necessarily have to have Croatia as its main operations. Where the Eligible Final Beneficiaries do not have Croatia as the location of their main operations, the investment should be aimed at developing a long term presence in Croatia.

**18. What is the definition of “significant workforce”?**

The EIF views significant workforce as relating to a meaningful percentage of the overall workforce to be utilised in value adding activities for the enterprise such as conducting operations, R&D or production. As such, it would not, for example, be a small sales office of a few people if the total work force was a thousand employees. The EIF makes no specific distinction between what constitutes workforce in terms of employment contracts, but would not expect the Croatian element to be significantly different from an enterprise's employee contracts outside of Croatia.

**19. Can you please further clarify the exclusion of the “operations of retail facilities”?**

This relates to the operation of property related assets that may be connected to retail such as shopping malls, where by the major value of the enterprise is derived from construction and real estate valuation gains.

**20. Does the recall of distributions relate to the recycling of funds provision?**

The recall of distributions could include recycling of funds but it might also include other items such as payments to satisfy warranty claims, payments to satisfy indemnity claims or other obligations, including those relating to the sale of an enterprise.

**21. What is the definition of sponsor under the Programme?**

A sponsor would be an entity or a person that whilst they may not directly be involved with the investments of the fund is active in the set up and structuring of the fund, lending their services in establishment, fund raising and some operations. This would especially be the case if in return the sponsor receives preferential rights such as partial ownership of the management company or carried interest.