



**InnovFin**  
EU Finance for Innovators

**COSME**  
Programme for the  
Competitiveness of  
Enterprises and SMEs  
2014-2020



SINGLE EU EQUITY FINANCIAL INSTRUMENT  
SUPPORTING  
UNION ENTERPRISES' GROWTH AND RESEARCH AND INNOVATION (R&I)

OPEN CALL FOR EXPRESSION OF INTEREST  
TO SELECT FINANCIAL INTERMEDIARIES UNDER THE COSME EQUITY FACILITY FOR GROWTH  
AND INNOVFIN EQUITY  
(Published on 14<sup>th</sup> October 2016)

The objective of this amended Open Call for Expression of Interest (the “**Call**”), launched by the European Investment Fund (the “**EIF**”), is to select eligible Financial Intermediaries<sup>1</sup> under the Horizon 2020 - InnovFin Equity facility (“**InnovFin**”, “**InnovFin Equity**”) and/or the COSME - Equity Facility for Growth (“**EFG**”), jointly referred to as the “**Facilities**”.

This Call amends and supersedes the open call for expression of interest as initially published on 21 July 2015 subsequently amended on 6 October 2015.

This Call amends certain terms of the InnovFin Equity investments (formerly InnovFin SMEVC), explicitly introduces the possibility to invest in technology transfer, fund-of-funds<sup>2</sup>, social impact intermediaries and schemes and fully integrates the ICT focused pilot for Business Angel Funds into the scope of InnovFin Equity, as further set out in Annex II.

All applications for funding under EFG or InnovFin Equity submitted to the EIF after 14 October 2016 should conform to this Call.

In this Call, capitalised terms and expressions shall have the meaning attributed to them in this document and as defined in the Annex II (InnovFin Equity Investment Guidelines) and Annex III (EFG Investment Guidelines) jointly referred hereinafter as “**Investment Guidelines**”.

## 1. Facilities

### 1.1 InnovFin Equity

On 11 December 2013, Regulation (EU) No 1291/2013 of the European Parliament and the Council establishing “Horizon 2020” for the period 2014-2020 was adopted. Under this Programme,

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<sup>1</sup> Unless specifically indicated in this Call or its annexes, the reference to a Financial Intermediary is to be understood to refer to a fund, its manager/advisor or both, as relevant.

<sup>2</sup> The scope of this Call does not include the selection of the pan European VC Fund-of-funds, for which a separate open call for expression of interest is established.

the financial instrument, named InnovFin Equity, was established to target early stage enterprises or other final recipients by providing venture or mezzanine capital. InnovFin Equity has also the possibility of making expansion and growth-stage investments in conjunction with EFG facility.

Pursuant to the Delegation Agreement between the European Union (the “EU”) and the EIF in respect of the financial instruments under Horizon 2020 dated 12 June 2014 and subsequently amended and restated on 22 July 2016, the EIF has been entrusted by the EU to implement the InnovFin Equity.

Under InnovFin Equity, the EIF shall provide equity financing, to selected InnovFin Equity Financial Intermediaries, using inter alia the EU’s Horizon 2020 contribution and EIF’s own resources. InnovFin Equity can also address Multi-Stage Financial Intermediaries using resources of the two Facilities.

The InnovFin Equity investment guidelines setting out the terms of the facility are further described in Annex II to this Call. As of the date of publication of this Call, the list of countries covered under Horizon 2020 comprises EU Member States, Iceland, Norway, Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Israel, Moldova, Ukraine, Tunisia, Armenia<sup>3</sup>, Georgia and Faroe Islands, forming all together the InnovFin participating countries (“InnovFin Participating Countries”). InnovFin may include other associated countries having entered into relevant agreements with the European Union. Additional countries may potentially be added to the Participating Countries of the Horizon 2020 Programme at a later stage. For up-to-date information please consult the Horizon 2020 Portal:

[http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/hi/3cpart/h2020-hi-list-ac\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/3cpart/h2020-hi-list-ac_en.pdf).

Without prejudice to the above, InnovFin Equity is also being deployed in parallel in the context of the EFSI Equity Instrument<sup>4</sup> predominantly in EU Member States and observing the requirements set out by the EFSI. Should Financial Intermediaries fulfil requirements of the EFSI Equity Instrument Open Call for Expression of Interest, they do not need to reapply to this EFSI Equity Instrument Call for Expression of Interest if they already applied to this Call.

## 1.2. Equity Facility for Growth

On 11 December 2013, Regulation (EU) No 1287/2013 of the European Parliament and the Council establishing a Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (“COSME”) for the period 2014-2020 was adopted. Under this Programme, the financial instrument named Equity Facility for Growth was established to target SMEs<sup>5</sup> in their expansion and growth stage. EFG has also the possibility of making investments in conjunction with InnovFin Equity facility.

Pursuant to the Delegation Agreement between the European Union (the “EU”) and the EIF in respect of the financial instruments under COSME dated 22 July 2014 and subsequently amended and restated on 6 April 2016, the EIF has been entrusted by the EU to implement the EFG facility.

Under EFG facility, the EIF shall provide equity financing to selected EFG Financial Intermediaries, using inter alia a combination of the EU Contribution from COSME and EIF’s own resources. EFG can also address Multi-Stage Financial Intermediaries using resources of the two Facilities.

The EFG investment guidelines setting out the terms of the facility are further described in Annex III to this Call.

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<sup>3</sup> Subject to ratification

<sup>4</sup> Please refer to EFSI Equity Instrument: [http://www.eif.org/what\\_we\\_do/efsi/equity/index.htm](http://www.eif.org/what_we_do/efsi/equity/index.htm)

<sup>5</sup> Micro, small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36) as amended from time to time.

As of the date of publication of this Call, the list of countries covered under the EFG comprises EU Member States, Iceland, Montenegro, Turkey, the Former Yugoslav Republic of Macedonia, Serbia, Albania and Bosnia and Herzegovina (“EFG Participating Countries”) and may include other associated countries having entered into relevant agreements with the European Union. Additional countries may potentially be added to the Participating Countries of the COSME Programme at a later stage. For up-to-date information please consult the COSME Portal:

<http://ec.europa.eu/growth/smes/cosme/>

## 2. Financial Intermediaries

This Call is addressed and restricted to InnovFin Equity Financial Intermediaries and EFG Financial Intermediaries (“the Financial Intermediaries”) as defined and further specified in the relevant Investment Guidelines. Multi-stage Financial Intermediaries must comply with both InnovFin Equity Investment Guidelines and EFG Investment Guidelines.

All Financial Intermediaries including the managers of the Financial Intermediaries shall represent that they are not in any of the situations of exclusion, as further described in the Annex I to this Call.

Financial Intermediaries including the managers thereof shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which they may be subject and shall not be established and shall not maintain business relations with entities incorporated in any Non-Cooperating Jurisdiction, as further provided in the Investment Guidelines.

The EIF Anti-Fraud Policy shall apply to the Fund Agreement under the Facility (please refer to [http://www.eif.org/attachments/publications/about/Anti\\_Fraud\\_Policy.pdf](http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf))

## 3. Application procedure

This Call will remain open until 30 September 2020 or such earlier date as announced officially in the Facilities’ section on EIF’s [website](#) (the “Deadline”). The Deadline is set on the 30 September 2020, provided that the EIF, in agreement with the EU, may, at its sole discretion, determine that the Deadline will end on another date depending, inter alia, on the availability of the budgetary resources for the Facilities. Any change in the Deadline will be announced officially in the Facilities’ section of the EIF’s [website](#).

The Expression of Interest shall be submitted before the Deadline either by email or in paper format via registered mail or professional courier.

The Deadline applies (i) in case of e-mails to the reception by the EIF and (ii) in case of registered mail or professional courier service to the date of dispatch proven by the post office stamp or a dispatch receipt.

The Expressions of Interest shall indicate the name of the Applicant and be sent either to the following address:

*European Investment Fund*

*Single EU Equity Financial Instrument – Expression of Interest*

*Equity Investment Team*

*37B avenue J.F. Kennedy*

*L-2968 Luxembourg*

or in an electronic form to: [EUequityInstrument@eif.org](mailto:EUequityInstrument@eif.org).

An acknowledgement of receipt will be sent to the relevant applicants by the EIF via e-mail, which

shall state the confirmation that the Expression of Interest was received before the Deadline.

The acknowledgement of receipt shall not be construed as a declaration of completeness of the Expression of Interest and the documents submitted therewith, nor any kind of assessment or acceptance of the same.

The Expressions of Interest shall:

- state in the subject of the email: "Single EU Equity Instrument- Expression of Interest: [name of the applicant]"
- be prepared in English
- contain the Annex I duly signed.

The applicant shall make available to the EIF the relevant information and documentation covering the points listed below, which are considered minimum information required in the selection process<sup>6</sup>:

- management team
- investment strategy
- track record
- target market
- deal flow
- geographical scope
- target sectors
- fund size
- legal structure/governance structure<sup>7</sup>
- proposed terms
- expected returns
- other investors
- timing of fund raising.

The applicants may withdraw, in the same manner as specified above, their Expression of Interest at any stage of the selection process.

Applicants may send questions regarding the Call. The EIF shall analyse such incoming questions and may publish from time to time the resulting answers in the form of Frequently Asked Questions document ("FAQ") posted in the Facility section of the EIF's website. The EIF reserves the right to update the FAQ document from time to time as and when it regards appropriate.

#### 4. Selection process

The applicants will be selected in due consideration of the general principles of transparency, equal treatment and non-discrimination, in compliance with EIF's policies, rules, procedures and statute and in conformity with best business and market practices.

The EIF shall analyse the applications on a continuous basis, using professional analysis and judgment, taking into account the terms set out in the relevant Investment Guidelines and the following general steps:

- (i) Screening
- (ii) Due Diligence
- (iii) Assessment and approval in accordance with EIF's internal assessment and decision making rules

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<sup>6</sup> Information may be covered by a PPM (private placement memorandum) made available to the EIF.

<sup>7</sup> Showing ownership and cash flows, supported by legal and/or tax memorandum, if available.

(iv) Negotiation and signature

The selection process includes an EIF's assessment of the expected performance, as set out in section 5.1. and of the policy fit of the applicant, as set out in the section 5.2 below.

On the basis of the assessment of the expected performance and of the policy fit, the EIF will decide whether an investment proposal qualifies for an investment under the Single EU Equity Instrument. Depending, inter alia, on the stage of the Financial Intermediary, its investment strategy, targeted sectors and geographical focus, the EIF shall determine, in its discretion, whether the application shall be considered for potential investment under InnovFin Equity or EFG or using resources of both Facilities, as appropriate. In this context, the availability of budgetary resources under the respective Facilities will also be taken into account.

The decision to perform a due diligence visit shall be at the discretion of the EIF.

Prior to entering into a transaction with the selected applicant, the selected investment proposal to be funded under the Facilities shall be submitted by the EIF to its relevant decision making bodies for approval and shall be subject to such prior approval before finalising the contractual negotiation process with the Financial Intermediary.

Following selection of the application, the appropriate contractual agreement shall be signed with the Financial Intermediary. The ultimate decision on the form of the agreement shall be made at the discretion of the EIF. The terms of the Fund Agreement shall be in English.

In any phase of the selection process until and prior to entering into a legally binding agreement with an applicant, the EIF reserves itself full discretion to consider or not the applicant, and no applicant has any claim or other right or may expect to be ultimately selected as the Financial Intermediary under the facilities. Any negotiation of terms and conditions of Fund Agreements by no means entails any obligation for the EIF to enter into such agreement with the relevant Financial Intermediaries.

Those applicants, whose Expression of Interest is rejected at any stage of the selection process, shall have the right to submit a written complaint by e-mail and registered mail or professional courier service, to the same address used for the submission of the Expressions of Interest above, within thirty (30) days of receipt of the rejection notice. Any complaints will be dealt within the framework of and in accordance with the EIB Group complaints policy<sup>8</sup>.

The EIF reserve the right at any time to request written clarification or the submission of additional or supplementary written information in respect of any application, verify any applicant or with a third party any information set out in any submission.

#### **4.1 Assessment criteria for expected performance**

As part of the expected performance assessment, the applications will be analysed based on the following criteria:

Management Team

- a) Relevant experience
- b) Composition of the team, track record and balance of skills
- c) Ability to provide relevant added value
- d) Ability to provide adequate commitment for the life of the fund
- e) Screening of management team members in accordance with standard market practice and

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<sup>8</sup> For further information visit <http://www.eib.org/infocentre/publications/all/complaints-mechanism-policy.htm>

with specific attention to issues related to corrupt, fraudulent, coercive or collusive practices or criminal convictions concerning their professional conduct

#### Market

- a) Identification of the target market
- b) Size of the market and potential development of it
- c) Growth potential of enterprises in the target market

#### Deal Flow

- a) Track record of access to deals
- b) Quality of deals
- c) Credibility of plans to develop deal flows

#### Investment Strategy

- a) Fund, stage, sector and geographical focus
- b) Number of targeted investments
- c) Appropriateness of the investment strategy to the market
- d) Coherence with the purpose of InnovFin Equity/EFG (as appropriate)
- e) Identification of suitable and achievable exit routes for targeted investments

#### Size of the fund

- a) Balance between fund size and expected deal flow
- b) Adequacy of provision for follow on investments

#### Proposed terms

- a) In line with market norms, with explanations for deviations
- b) Any performance related remuneration such as carried interest to be designed to reward overall fund performance
- c) Legal and tax structure

#### Expected returns

- a) Evidence that the fund is to be run on a commercial basis and that it can be expected to be financially viable

#### Investor base

- a) Pari-passu ranking (i.e. Like Risk, Like Reward) of market oriented investors<sup>9</sup>
- b) Evidence of support from other investors
- c) Co-investment strategy and rationale
- d) Screening and monitoring of co-investors to the extent the information is made available to the EIF and in accordance with standard market practice

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<sup>9</sup> Market oriented investors mean investors operating in circumstances corresponding to the market economy investor principles, irrespective of the legal nature and ownership structure of these investors, being so-called normal economic operators in market economies.

## 4.2 Assessment criteria for policy fit

### 4.2.1. Fit of the Financial Intermediary's<sup>10</sup> investment strategy with the policy objectives of the Facilities

In this context, the EIF will apply the following criteria (depending whether a Financial Intermediary is expected to be financed by InnovFin Equity or EFG or both Facilities):

- a) expected support to eligible Final Recipients in the Expansion and Growth phase and/or Early Stage phase (as applicable) through further development and value creation<sup>11</sup>;
- b) additionality of the envisaged investment, i.e.: (i) in the case of InnovFin investment- catalytic role in mobilising funding sources for an applicant; and (ii) in the case of EFG investment - no crowding out of other funding sources;
- c) contribution to the development of a structurally balanced business angel/technology transfer/venture capital/private equity market, as appropriate, in the InnovFin Participating Countries and EFG Participating Countries, as appropriate ("Participating Countries").

In addition to the above, with respect to a potential InnovFin Investment, the EIF will assess whether the investment focus of the Financial Intermediary under the investment proposal is on areas covered by the societal challenges and industrial leaderships of Horizon 2020 (such as life sciences, clean energy or technology), or otherwise technological, non-technological, organizational or social innovation.

### 4.2.2. Value-added

With respect to a potential EFG Investment, the EIF will apply the following criteria:

- i. investment strategy of the applicant is targeting eligible Final Recipients in more than one EFG Participating Country;
- ii. the applicant is expected to support eligible Final Recipients to internationalise, promoting the development of the portfolio companies cross-border, i.e. outside their country of establishment, irrespective of whether to another EFG Participating Country, or non-EFG Participating Country.

With respect to a potential InnovFin Investment, the EIF will assess whether the investment proposal meets at least one of the following indicators:

- a) The applicant targets to proactively invest in more than one (or in the case of Fund-of-Funds, three) Participating Countries, based inter alia on its management team's track-record, strategy, pipeline, office location, composition, or to invest less than 75 % of its invested amounts in any single Participating Countries;
- b) the applicant targets to support internationalization of at least 50% of the portfolio companies;

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<sup>10</sup> In the case of Fund-of-Funds, each indicator above or below will be assessed at the Fund-of-Funds' level, with the understanding that the Fund-of-Funds meets the listed criteria/ indicators indirectly on an aggregate level through the investments in underlying funds in which it expects to invest.

<sup>11</sup> In the case of Technology Transfer, this refers to the acceleration of innovations, especially in the area of key enabling technologies and other Horizon 2020 objectives, promotion of IP, licensing and spinoff activities.

- c) the applicant targets to invest at least 50% of its invested amounts in Participating Countries where, according to Invest Europe (formerly known as European Private Equity and Venture Capital Association - EVCA) (as published in its 2015 report on European Private Equity Activity) the industry statistics for private equity investment volumes as a percentage of GDP are below the European average<sup>12</sup>;
- d) the applicant targets to invest at least 70% of its invested amounts in Social Enterprises and/or Social Sector Organizations;
- e) the applicant targets to invest at least 50% of its invested amounts in Technology Transfer;
- f) the applicant targets to invest at least 50% of its invested amounts in co-investments with Business Angels or in vehicles or arrangements to be managed by Business Angels.

## 5. Publishing of information on the Financial Intermediaries

The EIF shall publish on its website each year a list of Financial Intermediaries and Financial Sub-Intermediaries with whom the EIF concluded a Fund Agreement under InnovFin Equity and EFG and a list of eligible Final Recipients thereunder as further specified in the respective Investment Guidelines.

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<sup>12</sup> Such Member States of the EU being: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, the Netherlands, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain (reference: <http://www.investeurope.eu/media/476271/2015-European-Private-Equity-Activity.pdf>).