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The Western Balkans Enterprise Development and Innovation Facility

EU For Serbia – Financing for SMEs

OPEN CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER THE WESTERN BALKANS ENTERPRISE DEVELOPMENT AND INNOVATION FACILITY

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The objective of this Open Call for Expression of Interest (the “Call”), launched by the European Investment Fund (the “EIF”), is to select eligible financial institutions to become Financial Intermediaries under The Western Balkans Enterprise Development and Innovation Guarantee Facility – Serbia Window (the “WB EDIF GF Serbia” or the “Facility”) as further described below.

All Expressions of Interest for guarantees under the Facility to be submitted to the EIF should conform to this Call.

To learn more about the Western Balkans Enterprise Development and Innovation Facility visit www.wbedif.eu

1. Background

In 2010, the European Commission¹ (the “Commission”), the European Bank for Reconstruction and Development, the European Investment Bank and certain other international financial institutions entered into an agreement, the Western Balkans Investment Framework (the “WBIF”), for the purpose of

¹ Specifically by DG NEAR (Directorate-General for Neighborhood and Enlargement Negotiations) and via the Instrument for Pre-Accession Assistance (IPA)

contributing to the financing, preparation and implementation of priority projects in the Western Balkans region.

In 2011, the parties to the WBIF decided to become active in the field of private sector development and earmarked certain amounts to support SMEs'² access to finance.

Within this context, the 5th WBIF Steering Committee decided in December 2011 to finance the Western Balkans Enterprise Development and Innovation Facility (the "WB EDIF"), a project developed by EIF with EIB and EBRD as co-lead international financial institutions.

WB EDIF is a four-pillar virtual platform, of which the third pillar is a guarantee facility, aimed at enhancing SMEs' access to finance in the "Western Balkan Beneficiary Economies" defined here as Albania, Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Kosovo³, Montenegro and Serbia.

In December 2012, the EIF has been mandated by the Commission to implement and manage a guarantee facility under the WB EDIF (the "WB EDIF Guarantee Facility"). In April 2013 the EIF launched the first Call for Expression of Interest under the WB EDIF Guarantee Facility, followed by a second one in December 2015 (the "WB EDIF GF II").

Building on the successful results of WB EDIF GF and WB EDIF GF II, the Commission, in consultation with the Serbian national authorities, has agreed to make a further contribution to improve access to finance for Serbian SMEs. Under WB EDIF GF Serbia, EIF will provide first-loss capped guarantees to Serbian SMEs (each, a "Guarantee"), whose features are further described in Annex II to this Call (Indicative Terms and Conditions of the Guarantee).

2. Eligible Financial Intermediaries

The EIF shall select Financial Intermediaries to implement the Facility, in accordance with the procedure described further below. The selection of Financial Intermediaries shall be made on a continuous basis until the Deadline (as described below), taking into account the resources available from time to time, and shall be based on a specific set of criteria.

This Call for Expression of Interest is addressed and restricted to public or private credit or financial institutions, in each case, duly authorised to carry out lending or leasing activities according to the applicable legislation, established and operating in the Republic of Serbia.

Financial Intermediaries shall represent that they are not, and have not at any time during the previous 5 years been, in any of the exclusion situations, as further described in the Annex I to the Call.

In due course, Financial Intermediaries may be requested to provide EIF with their internal policies and procedures concerning prevention of money laundering, fight against terrorism and tax fraud, which EIF will assess on the basis of the international recommendations issued by the Financial Action Task Force,

² As defined in Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36).

³ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

as well as any applicable legislation. Financial Intermediaries shall not be established, and shall not maintain business relations with entities incorporated in any Non-Cooperating Jurisdictions.

The EIF Anti-Fraud Policy shall apply to the Guarantee Agreements under the Facility (please refer to http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf.)

3. Definitions and Interpretation

In this Call for Expression of Interest, capitalised terms and expressions shall have the meaning attributed to them below or as elsewhere defined in this document and its Annexes, unless the context requires otherwise.

Applicant	Means an entity applying to this Call as a potential, future Financial Intermediary.
Agreed Volume	The maximum aggregate amount of principal of newly originated Eligible SME Transactions to be included in the Portfolio, as further described in Annex II (Indicative Terms and Conditions of the Guarantee).
SME Transaction	Means a debt financing (including a loan or finance lease) provided directly by a Financial Intermediary to an SME.
Financial Intermediary	Means a financial or credit institution, or micro-finance institution, duly authorised, if applicable, to carry out lending or leasing activities according to the applicable regulatory framework, as defined in Annex II (Indicative Terms and Conditions of the Guarantee).
Guarantee Agreement	Means a guarantee agreement, as applicable, entered into between a selected Financial Intermediary and the EIF in connection with the Facility.
Data Protection Statement	Means the EIF statement on the processing operations of Applicants and Financial Intermediaries’ personal data, as published on the EIF’s website ⁴ .
Deadline	Means 31 December 2019 or such earlier date as announced officially in the Facility section of EIF’s website.
Eligible SME Transaction	Means an SME Transaction that complies with all the Eligibility Criteria.
Eligibility Criteria	Means jointly the SME Eligibility Criteria and the SME Transactions Eligibility Criteria as defined in Annex II (Indicative Terms and Conditions of the Guarantee).
Expression of Interest	Means an application to this Call submitted to EIF within the Deadline, conforming to the provisions of Annex I to this Call.

⁴ http://www.eif.org/attachments/eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf

Non-Cooperating Jurisdiction	A jurisdiction which does not cooperate with the European Union in relation to the application of the internationally agreed tax standard (of the Organisation for Economic Cooperation and Development (OECD) and its Global Forum on Transparency and Exchange for Tax Purposes), or their tax practices do not follow the Commission Recommendation.
Participating Entities	Means, in case a joint application to the Call is submitted covering the Applicant and at least one additional potential future Financial Intermediary, each and every additional potential future Financial Intermediary covered by such joint application.
Portfolio	Means the portfolio of Eligible SME Transactions originated by the Financial Intermediary and covered by a Guarantee Agreement.

4. Application procedure

Financial institutions interested in applying to this Call shall submit an Expression of Interest to the EIF by the Deadline in order to be considered as a possible Financial Intermediary under the Facility.

In accordance with Annex I to this Call, the Expression of Interest shall include the Applicant's identification and shall provide the information requested in Appendix 3 to the Annex I, together with the supporting documents.

Any personal data provided by the Applicants shall be processed by EIF in compliance with its Data Protection Statement and the Regulation (EC) 45/2001 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.

The information provided as requested in Appendix 3 to the Annex I should place particular emphasis on:

- a) Envisaged actions for the implementation of the Facility, particularly with regard to its launch (timing, target customers, promotional activities, type of products, changes to the underlying legal documentation, etc.);
- b) Estimated absorption capacity in terms of expected volumes of Eligible SME Transactions to be included in the Portfolio and geographical coverage, taking into account any outstanding programme of similar nature implemented or available in parallel;
- c) The proposed improvements to the terms offered to SMEs (e.g. pricing reduction or reduction of the requested level of collateral), as compared to standard lending conditions for SMEs;
- d) Origination and credit risk management process;
- e) Expected characteristics of the Portfolio (split per rating, industry, borrower size, type of collateral and level of collateralisation, etc.);
- f) Historical performance data and track record in SME lending.

Focus on Innovative and Start-up SMEs

There exists a clear need within the Serbian market for financing Innovative and Start-up SMEs, which are typically considered as "riskier" and therefore have restricted access to finance through the standard banking debt funding products. Applicants are invited to support Innovative and/or Start-up SMEs by expressing

their willingness to pursue the origination and inclusion of loans to such companies in the Portfolio. The interest of Financial Intermediaries in supporting Innovative and/or Start-up SMEs will be positively assessed by the EIF during the Pre-Selection stage as further detailed in section 7.1.2 below, and will result – all else being equal – in additional points being attributed to the relevant applications, in an amount commensurate with the extent of support given to Innovative and/or Start-up SMEs in the proposed portfolio. It shall be noted that the willingness to pursue the origination and inclusion of Innovative and/or Start-up SMEs in the Portfolio by interested Applicants is of an optional ancillary nature and that Applicants are therefore not bound to present an offer as regards to Innovative and/or Start-up SMEs.

For the purposes of this paragraph and of this Call Innovative SMEs and Start-up SMEs will have the meaning attributed to these terms in Appendix I to Annex II.

5. Language and governing laws

The Expression of Interest shall be prepared in English.

The Guarantee Agreement shall be in English. The Guarantee Agreement shall be governed by the laws of Luxembourg.

6. Submission of Expression of Interest

Expressions of Interest shall be submitted by the Deadline both by (i) email and (ii) registered mail or professional courier service. Expressions of Interest sent by registered mail or professional courier service shall consist of a closed single package, and shall contain the Expression of Interest, together with its attachments, in paper form and in removable electronic storage medium (e.g. USB flash drive). Annual reports requested should be provided only on the removable electronic storage medium or by email.

The Deadline is set on the **31 December 2019**, unless EIF should announce that the Deadline will be set on a different date, depending, inter alia, on the availability of the budgetary resources for the Facility (including in the case of reallocation of resources between Financial Intermediaries). Any change in the Deadline will be announced officially in the WB EDIF section of EIF's website.

The Deadline refers to (i) in case of emails, to the reception by 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 to the following address:

European Investment Fund
WB EDIF Guarantee Facility - Serbia Window – Expression of Interest
Equity Investments & Guarantees
37B, Avenue JF Kennedy
L-2968 Luxembourg

The electronic version of the Expression of Interest shall be sent to: wbedif@eif.org, stating in the subject of the email: "WB EDIF Guarantee Facility – Serbia Window – Expression of Interest: [name of the Applicant]".

An acknowledgement of receipt will be sent to the relevant Applicants by EIF via e-mail, which shall state the following:

- unique application identifier (Expression of Interest number);
- confirmation that the Expression of Interest was received by the Deadline.

The acknowledgement of receipt does not constitute a declaration of completeness of the Expression of Interest and the documents submitted therewith, nor any other kind of assessment or acceptance of the same.

The Applicants may withdraw their Expression of Interest at any stage of the selection process in the same manner as specified above: by sending (i) an email and (ii) a letter to the above-mentioned addresses.

7. Selection procedure

Financial Intermediaries shall be selected on the basis of EIF's policies, rules, procedures and statutes and in conformity with best practices with an open, transparent, proportionate, non-discriminatory and objective selection procedure, taking into account the criteria and principles underpinning the program and the experience and financial capacity of the Applicants, with a view to maximising the efficient use of the resources made available to the Facility.

Following the receipt of the Expression of Interest(s), EIF shall assess the Expressions of Interest received pursuant to the selection process outlined herewith. This process comprises of the following steps, provided that each step was concluded with a positive result:

1. Pre-selection
2. Due diligence
3. Selection

Following the pre-selection based on the Expression of Interest, EIF shall perform a due diligence process of the pre-selected Applicant, as a result of which EIF will decide whether or not to propose to its competent decision making bodies the approval of entering into a Guarantee Agreement under the Facility. The contractual negotiation process may not be considered concluded prior to the approval of the EIF's competent decision making bodies, and in any case not concluded until EIF and the Applicant(s) have agreed on all relevant terms and conditions. Each of the above three steps is described in more detail below from section 7.1 to 7.3.

In any phase of the selection process until and prior to entering into a legally binding agreement with an Applicant, EIF reserves itself full discretion to consider or not Applicants (and Participating Entities in case of joint Expression of Interest) and no Applicant or Participating Entity has any claim or other right or may expect to be ultimately selected as Financial Intermediary under the Facility. Any negotiation of terms and conditions of Guarantee Agreements by no means entails any obligation for EIF to enter into such Guarantee Agreement with the relevant Financial Intermediaries. EIF shall also have sole discretion to decide on the allocation of available amounts to Financial Intermediaries, including to propose a reduction of the Portfolio amount requested by the Financial Intermediary in the Expression of Interest.

EIF will send a rejection notice to Applicants whose Expression of Interest was rejected during any stage of the selection process. EIF may, but shall not be obliged to provide reasons of such rejection. Failure by EIF

to send such a rejection notice shall not oblige EIF to accept an Expression of Interest or to re-evaluate such Expression of Interest.

Those Applicants whose Expression of Interest is rejected, shall have the right to submit a written complaint by email 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 with within the framework of and in accordance with the EIB Group complaints policy (for further information visit <http://www.eib.org/about/accountability/complaints/index.htm>)

7.1. Pre-selection

Expressions of Interest for the Guarantee will be assessed by EIF for pre-selection on a “first come, first assessed” basis. When assessing the Expressions of Interest, EIF will use its professional analysis and judgement.

The pre-selection comprises:

1. Pre-selection stage 1: Formal assessment of the Expression of Interest;
2. Pre-selection stage 2: Assessment of the Expression of Interest’s quality;
3. Pre-selection stage 3: Assessment of the expected Portfolio.

Only Expressions of Interest that pass pre-selection stage 1, as further described in the section 7.1.1. below, will go through pre-selection stage 2, i.e. the quality assessment process.

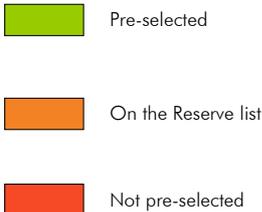
During the quality assessment (further described in section 7.1.2.), EIF will evaluate the overall quality of the Expression of Interest. All criteria listed under section 7.1.2. are assessed at the discretion of EIF, giving a pre-defined weight to each one of these criteria. Based on the quality assessment, EIF shall assign the “quality score” to the Expression of Interest, being A, B or C (A representing the highest score).

In pre-selection stage 3 (further described in section 7.1.3), EIF will do an assessment of the expected Portfolio. Based on this assessment EIF shall assign the Portfolio score to the Expression of Interest, being 1, 2 or 3 (1 representing the highest score).

Only Expressions of Interest with combined “quality” and “portfolio” scores A1, A2 or B1 are pre-selected. Expressions of Interest with combined scores C1, C2 or C3 are not pre-selected. Expression of Interest with combined scores A3, B2, B3 are included in a reserve list, which remains valid for one year after the Deadline. EIF reserves the right to announce that the validity of the reserve list will end on an earlier date or will be extended, depending, inter alia, on the availability of the budgetary resources for the Facility.

In addition to the placement of Applicants on a reserve list on the basis of the outcome of the assessment process described above, EIF reserves the right to also place Applicants on a reserve list in case that the aggregate demand for the Facility expressed from already pre-selected Applicants is equal to or exceeds the budgetary resources available under the Call. Applicants on the reserve lists may be considered for pre-selection depending upon the availability of the budgetary resources.

The Expression of Interest classification table below summarizes possible pre-selection outcomes:

A1	B1	C1	
A2	B2	C2	
A3	B3	C3	

All Applicants will be sent a notification about the result of the pre-selection process which can be either:

1. Pre-selection for the due diligence stage;
2. Placement on the reserve list;
3. Rejection of the Expression of Interest.

Pre-selected Applicants are advanced to the due diligence phase of the selection process as referred to in section 7.2.

EIF may suspend or abandon the pre-selection process at any time and no Applicant may claim any right to be pre-selected or included on the reserve list as described above.

7.1.1. Formal assessment

EIF shall assess whether the Expression of Interest for the Facility has been prepared in accordance with the provisions of this Call according to the formal criteria:

1. The Applicant (and any Participating Entity in case of joint Expression of Interest):
 - a. is established and operating in the Republic of Serbia;
 - b. is authorised to carry out its business under the applicable regulatory framework;
 - c. is not established in a Non-Cooperating Jurisdiction;
 - d. is not, and has not been in the 5 previous years, in an exclusion situation, as validly represented in the form outlined in Appendix 2 of Annex I to the Call;
 - e. does not perform any illegal activities according to the applicable legislation of the country of establishment of the Applicant (or Participating Entity), as validly represented in the Expression of Interest.
2. The Expression of Interest has been submitted and prepared in accordance with the Call and that all required representations, information and supporting documentation required thereunder are provided (in the form requested, where specified).

The Expressions of Interest that do not conform to the formal criteria are rejected. In case of joint Expression of Interest, if the Applicant or any Participating Entity covered by the Expression of Interest does not comply with the formal criteria, the entire Expression of Interest is rejected.

7.1.2. Quality assessment

After successful assessment of the formal criteria, and after having obtained any additional information or clarifications from Applicants, if and as needed, the EIF will perform a quality assessment of the Expression of Interests according to the criteria set out below, in no particular order of priority:

1. Quality and plausibility of the Facility implementation proposal, with particular focus on: implementation and rollout strategy (including incentives for sales force), marketing and publicity of the Facility, proposed volumes also in relation to similar instruments the Applicant may use at the same time, financial products used under the Facility, previous experience working with International Financial Institutions, etc.;
2. Financial standing and financing capacity of the Applicant (and any Participating Entity in case of joint Expression of Interest) as evidenced by its external credit rating and/or by EIF financial analysis of the Applicant/Participating Entity;
3. Operational capability of the Applicant (and any Participating Entity in case of joint Expression of Interest) to assess and manage risk;
4. Proposed improvements to the terms offered to SMEs (e.g. pricing reduction or reduction of the requested level of collateral) as compared to standard lending conditions for SMEs;
5. Ability to provide the required data for EIF to properly conduct its analysis and assessment of the Applicant's (and any Participating Entity in case of joint Expression of Interest) track record and future activity;
6. Experience and ability of the Applicant (and any Participating Entity in case of joint Expression of Interest) to enter into SME Transactions within a predefined timeframe. This shall be assessed by EIF based inter alia on: track record of financing SMEs and the business plan for building a Portfolio;
7. Ability of the Applicant (and any Participating Entity in case of joint Expression of Interest) to comply with the specific reporting requirements;
8. If relevant, ability of the Applicant (and any Participating Entity in case of joint Expression of Interest) to originate and include in the Portfolio loans to enterprises which qualify as Innovative and/or Start-up SMEs. For the avoidance of doubt, Applicants are not bound to present an offer as regards Innovative and/or Start-up SMEs.

7.1.3. Portfolio assessment

EIF will also consider, inter alia, the impact of the Expression of Interest in terms of expected composition of the proposed Portfolio, including its credit risk profile and risk diversification, both in terms of obligor granularity and economic sectors.

7.2. Due diligence

Pre-selected Expressions of Interest will be followed up with the due diligence process, carried out in accordance with EIF's internal rules and procedures, where financial and operational matters relating to the Facility's implementation shall be analysed in more detail. The aim of the due diligence is to assess the content of the Expression of Interest based on, inter alia, the ability to build up the envisaged Portfolio, the proposed improvements of lending requirements to SMEs, the risk profile of the envisaged Portfolio, the quality of origination, marketing and publicity of the Facility (including incentives to sell for sales force), risk management, collection recovery/workout processes, systems and ability to comply with the reporting requirements. The due diligence process may comprise an on-site visit, which shall be at the discretion of the EIF. The due diligence process does not comprise legal negotiations.

7.3. Selection

Based on the results of the pre-selection and the outcome of the due diligence process EIF will:

1. select the Applicant; or
2. place the Applicant on the reserve list; or
3. reject the Expression of Interest.

If an Applicant is selected, EIF may enter into a Guarantee Agreement with the said Financial Intermediary subject to: (i) the successful/ conclusive commercial and legal negotiations of the relevant contractual documentation and (ii) the approval of the transaction by the EIF in accordance with its statutes and rules of governance. Notwithstanding the foregoing, EIF has no obligation to enter into a Guarantee Agreement with a selected Applicant.

Applicants placed on a reserve list may be considered for selection at a later stage.

7.4. Allocations / reallocations during the implementation of the Facility

With a view to maximising the efficient use of the resources of the Facilities, EIF shall have sole discretion to allocate any amounts available from time to time to Financial Intermediaries.

In addition, Portfolios may be increased and/or reduced and funds re-allocated between Financial Intermediaries in order to target an efficient use of the Facility during the build-up of the relevant Portfolios.

8. Publishing of information on the Financial Intermediaries⁵

EIF shall publish on its website each year a list of Financial Intermediaries and SMEs supported through the programme, which shall include:

- a) for each Financial Intermediary the name and address of the Financial Intermediary with whom the EIF has signed a Guarantee Agreement, as well as an indication of the Guarantee Cap Amount. Furthermore, the list shall provide an indication of the type of financing that is being made available through the portfolios covered by the Guarantee;
- b) a list of SMEs which receive financing where the portion that is covered by a Guarantee exceeds the threshold of EUR 250,000 (or non-euro equivalent) containing for each SME the name and address and country of establishment (in the case of natural persons the address shall be replaced by NUTS level 2 codes) and type of financing received under the Facility.

The Financial Intermediary and SMEs may, prior to receiving financial support under the Facility, declare in writing (including by a representation in the relevant agreement) that the publication requirement set out above risks harming its commercial interests or risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union, on the basis of a written justification. In addition such publication shall not be required if it would be illegal under the applicable laws and regulations⁶.

9. EIF Transparency Policy

Within the framework of the EIF's Transparency Policy⁷ (the "EIF Transparency Policy"), EIF is committed

⁵ EIF shall also publish the information on the SMEs reached, as further detailed in the Annex II to this Call.

⁶ As substantiated by an intermediary with a legal opinion.

⁷ http://www.eif.org/news_centre/publications/EIF_Transparency_policy.htm?lang=-en

to the guiding principle of promoting transparency with respect to its operational and institutional activities.

Pursuant to this guiding principle, and in accordance with the EIB Group approach and undertakings to promote transparency and good administrative practice, EIF has adopted the practice of publishing the minutes of the Board of Directors ("Board minutes") on its website, following their approval and signature.

The published Board minutes only indicate those operations presented for decision which have been approved and, as a general rule, contain a summary indicating the project name, the nature of the operation, the geographical focus and the relevant EIF-managed resources.

The EIF Transparency Policy also recognises the need for EIF to balance transparency with confidentiality undertakings and the protection of commercially sensitive or personal data, with a view to EIF satisfying its legal obligations to, and maintaining the confidence and trust of, its business partners, investors and third parties.

Consequently, should an Expression of Interest receive the relevant EIF internal authorisation for submission to EIF's Board of Directors and be approved by the Board thereafter, and should an Applicant deem that the publication of such a summary would expose sensitive or confidential information, for which there would be a compelling reason not to disclose, the Applicant shall make a declaration to that effect in the submission of the Expression of Interest resulting in the information in question will be edited out of the published Board minutes and, subject to any applicable confidentiality undertakings, only being made public in connection with the signature of the operation in question.

If EIF has not received such declaration confirming that an Applicant does not agree to the publication of the aforementioned operational overview in the Board minutes, EIF will consider that it is acceptable to the Applicant and each Participating Entity, if applicable, and will proceed with publication on EIF's website as indicated above.