



This project is co-financed
by the European Union and
the Republic of Turkey



Call for Expression of Interest No. IPA-001/1 to select a Fund Manager that will receive resources from the European Investment Fund acting as Trustee of the Instrument for Pre-Accession Assistance funds under the G43 Anatolian Venture Capital Fund Project

Reference number: Call for EoI No. IPA-001/1

Introduction

This initiative refers to the establishment of a small and medium sized enterprise (“SME”)-focused risk capital fund (also referred to as “*G43 Anatolian Venture Capital Fund*” or the “*Fund*”). The support for the creation of the G43 Anatolian Venture Capital Fund is referred to as the “Regional Component” under Istanbul Venture Capital Initiative (“iVCI”). This Project entails a co-investment agreement utilising Instrument for Pre-Accession Assistance (IPA) funds together with Istanbul Venture Capital Initiative (“iVCI”) in the support of such a Fund dedicated to make investments in “SMEs”.

The creation of this Fund is an example of the kind of activities that aims to expand the role of the private sector in the economy maintaining its priority in the macroeconomic stability programme of the government¹. In particular, this Project supports the current work on the Communiqué that is being put together to enable the establishment of risk capital investment funds in Turkey.²

The Project is aimed at addressing the objectives of Measure 1.2 of the first priority axis under the Regional Competitiveness Operational Programme (RCOP), which is one of the basic implementation documents for IPA of the European Union. Ministry of Science, Industry and Technology of the Republic of Turkey is the Operating Structure (OS) for the RCOP. Functions and responsibilities of the OS in regard to the implementation of the Operational Programme are stipulated in Article 28 of the Commission Regulation (EC) No 718/2007 of 12 June 2007.

¹ “Pre-Accession Economic Programme 2008,” Ankara, April 2009 p.57

² et al p. 63

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Measure 1.2 under RCOP deals with the Creation and Development of Financing Instruments and entails the enhancement of the financial environment in the Target Region by supporting credit guarantee funds, micro-loan funds and equity finance mechanisms like risk capital funds including seed and start-up capital and other forms of financial instruments serving the enterprises.

In addition, Improving Competitiveness and Ensuring Regional Development are two of the five key economic and social development axes of the National Development Plan (NDP) of Turkey. Among the measures to be undertaken under the Improving Competitiveness Strategy, Measure 5.2.1 is that of improving the business environment. Under Item 375 of this measure, it states that "access of enterprises, particularly of SMEs, to loans, will be facilitated through the development of risk capital and credit guarantee systems".³

This Call for Expression of Interest is being published in accordance with the Contribution Agreement signed between the EIF and the Central Finance and Contracts Unit (CFCU) of the Republic of Turkey. The CFCU is the Contracting Authority taking the responsibility for the overall budgeting, tendering, contracting, payments, accounting and financial reporting aspects of all procurement in the context of the EU funded programmes in Turkey.

This Call for Expression of Interest targets financial engineering instruments referred to in Article 159 of Reg. 718/2007⁴ and is addressed to bodies or firms, whether public or private, which are interested in receiving resources out of IPA for the activities in respect of Operations (hereinafter "**Financial Intermediaries**"). Such activities shall be carried out in accordance with the contractual agreements to be entered into by the EIF and the selected Financial Intermediaries (hereinafter, "**Operational Agreement(s)**").

The Financial Intermediaries should express their interest by completing and submitting an Expression of Interest, a template of which is attached hereto as Annex 1.

1. Definitions and Interpretation

In this Call for Expression of Interest, capitalised terms and expressions shall have the meaning attributed to them below, unless otherwise defined above or the context requires otherwise. In addition to the above, the table below should be read in accordance with the meaning attributed to certain technical and industry-specific terms by Commission Regulation (EC) No. 800/2008 of 6 August 2008 (General block exemption Regulation) ("**Reg. 800/2008**").

Applicant	means a Financial Intermediary applying to this Call for Expression of Interest;
Business Day	means a day during which EIF Luxembourg office is open, and banks are open for general business in Turkey and Luxembourg;
Deadline	means 20 March 2012 ;
Eligibility Criteria	means the criteria with which the Expressions of Interest and the Applicants must comply and which are listed in Annex 2 Tthereof;
Expression of Interest	means a proposal sent by an Applicant in response to this Call for Expression of Interest, within the Deadline, to be drafted in accordance with the template attached hereto as Annex 1;

³ 9th National Development Plan of Turkey, 2007-2013, p. 31

⁴ Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)

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Financial Instrument	Risk Capital Fund;
IPA	means the Instrument for Pre-Accession Assistance established by Council Regulation (EC) No 1085/2006 of 17 July 2006 which has an aim to support Turkey in its preparation for EU membership;
EIB Group	The EIB Group consists of the European Investment Bank (EIB) and the European Investment Fund (EIF);
EIF	The European Investment Fund;
iVCi	The Istanbul Venture Capital Initiative, a dedicated fund of funds programme advised by the EIF – see TTUU www.ivci.com.tr .
Operational Agreement	means an agreement entered into between a Financial Intermediary and EIF on behalf of IPA regarding a Financial Instrument on the basis of this Call for Expression of Interest and the selection process;
Quality Assessment Criteria	means the quality assessment criteria applied by EIF at the sole discretion of EIF to assess the suitability of the Applicant and/or the proposed Financial Instrument according to the business standards of EIF and which are listed in Annex 2 hereof;
Selection Criteria	means the Eligibility Criteria and the Quality Assessment Criteria;
Small and Medium-sized Enterprises or SMEs	means micro, small and medium-sized enterprises as defined under Commission Recommendation 2003/361/EC, and under Reg. 800/2008.

3. Description of the activities expected from the selected Financial Intermediary

The selected Financial Intermediary will have to implement the Financial Instrument. The Financial Instrument shall be set up either as an independent legal entity governed by agreements between the co-financing partners or shareholders or as a separate block of finance within a Financial Intermediary.

It is planned to allocate out of the IPA resources an amount of \approx **EUR 14 million** to the Financial Instrument. iVCi would co-invest into the Fund an amount of \approx **EUR 2 million**. Hence, an estimated amount of \approx **EUR 16 million** would be committed to the Fund.

To be noted that joint ventures and/or consortia can express their interest, as long as they indicate/nominate one coordinating entity as a contractual counterpart for the EIF for the entire term of the Operational Agreement (in case of selection). Such Applicants are required to submit one, joint Expression of Interest.

4. Expression of Interest

A template for the Expression of Interest is attached hereto as Annex 1.

The Expression of Interest shall include the Applicant's identification, the Project Description, the supporting documents, the Declaration of absence of conflict of interest and the Statements regarding situations of exclusion.

No later than **15 February 2012**, the Applicants may request clarifications regarding the Call for Expression of Interest or the nature of the Financial Instrument. Such requests must indicate the Call

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for Expression of Interest reference number (IPA-001/1) and the name of the Applicant and shall be submitted in English via e-mail to:

Regional Business Development Unit
European Investment Fund
info.rbd@eif.org

Requests for clarifications from Applicants shall not receive individual replies. Instead, answers to all requests for clarifications received within the relevant deadline will be published together in a Clarification Document to be posted on the website www.eif.org, latest on **24 February 2012**.

EIF will, in principle, not contact any Applicant prior to the Deadline, unless it considers it necessary to clarify issues of a mere technical nature. However, should EIF discover any errors, inaccuracies, omissions or any other type of clerical defect in the text of the Call for Expression of Interest before the Deadline, EIF will correct the text and inform accordingly.

5. Language

The Expressions of Interest, including the submitted documents, shall be in English only.

6. Submission of Expression of Interest

The Expressions of Interest shall be submitted on or before the Deadline **both** by (i) e-mail **and** (ii) registered mail or professional courier service. The 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. CD-ROM).

The Deadline for the submission of Expressions of Interest is 20 March 2012.

The Deadline applies (i) in case of e-mails, 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 reference number of the Call (No. IPA-001/1) and the name of the Applicant and shall be sent to the following address:

Postal Address:

European Investment Fund
Attention: Regional Business Development Unit
96 Boulevard Konrad Adenauer
L-2968 Luxembourg
LUXEMBOURG

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The outer envelope (package) shall indicate the following:

“Expression of Interest – Reference number of the Call (No. IPA-001/1) – Not to be opened by the reception – To be passed without opening to the Regional Business Development Unit.”

E-mail Address:

Attention: Regional Business Development Unit

info.rbd@eif.org

Prior to the Deadline and in the same manner as specified above, the Applicants may change or amend their Expressions of Interest by clearly indicating the parts to be changed or amended.

Prior to or after the Deadline and in the same manner as specified above, the Applicants may withdraw their Expressions of Interest.

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

- Unique proposal identifier (Expression of Interest number);
- Reference number of the Call for Expression of Interest;
- 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 of the same.

7. Selection process

When selecting Financial Intermediaries, EIF is committed to respect fundamental principles, such as:

- i) equal treatment,
- ii) non-discrimination,
- iii) confidentiality and
- iv) transparency.

The Expressions of Interest will be examined by the EIF on a comparative basis, using professional analysis and judgment, taking into account the Selection Criteria.

The EIF will reject those Expressions of Interest which do not comply with the Eligibility Criteria. Financial Intermediaries, whose application is rejected because of non-compliance with any of the elements reflected in the statements regarding situations of exclusion (Appendices 5 and 6 to Annex 1 hereto), may not present themselves for consideration in subsequent Calls for Expression of Interest unless it is specifically evidenced that the reason for the exclusion no longer exists.

The expiration of the Deadline shall not prevent EIF, in limited cases if deemed necessary, from requesting and receiving from Applicants clarifications on issues of a mere technical or formal nature, *provided that* such clarifications shall neither provide an opportunity to the respective

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Applicants to unduly improve their applications nor otherwise distort the competition between the Applicants.

Applicants who are not excluded according to the Eligibility Criteria will go through the EIF selection process based on the Quality Assessment Criteria. The further selection based on the Quality Assessment Criteria, and the due diligence process if any, follows the standard procedures and guidelines applied by EIF to its business. The evaluation of proposals at this phase will be conducted under competitive terms and it is envisaged to select one or more Applicants overall.

In any phase of the selection process, EIF reserves itself full discretion to consider Financial Intermediaries and no Applicant has any claim or other right or may expect to be ultimately selected for financial support by IPA.

Similarly, any negotiation of terms and conditions of Operational Agreements by no means entails any obligation for the EIF to enter into such Operational Agreement with the relevant Financial Intermediaries.

Financial Intermediaries which do not receive contributions from IPA are informed accordingly; the reasons for their Expression of Interest being rejected may be clearly communicated to them upon request.

Those Applicants, whose Expression of Interest is rejected, 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 letter of rejection. Any complaints will be dealt within the framework and in accordance with the [EIB Group complaints policy](#) (for further info please click on the link or visit www.eib.org).

8. Operational Provisions

The Financial Intermediary, with which Operational Agreement will be eventually signed, shall be required to comply with the EIF anti-fraud policy, available on the website of EIF (www.eif.org), and with the relevant monitoring, reporting, publicity and auditing obligations required by the EU regulations applicable to IPA and by the Contribution Agreement signed between EIF and the Government of the Republic of Turkey. Such obligations are briefly described in Annex 2, and will be mentioned in the relevant Operational Agreement.

ANNEXES

Annex 1. Expression of Interest

Annex 2. Financial Instrument: Description and Selection Criteria

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ANNEX 1⁵ to the Call for Expression of Interest No IPA-001/1

To:

European Investment Fund

Attention: Regional Business Development Unit

96 Boulevard Konrad Adenauer

L-2968 Luxembourg

EXPRESSION OF INTEREST

Call for Expression of Interest No.:	IPA-001/1
Deadline for the submission of the Expression of Interest :	20 March 2012
Expression of Interest for Financial Instrument:	Risk Capital Fund
Applicant submitting the Expression of Interest:	_____, _____ (company name, registration number)

Sirs,

Herewith we are submitting our Expression of Interest on behalf of (Applicant) in response to the Call for Expression of Interest No. IPA-001/1 in the framework of the IPA initiative implemented through EIF acting as Trustee of the G43 Anatolian Venture Capital Fund Project in Turkey. Capitalised expressions utilised herein shall have the meaning attributed to them in the above-mentioned Call for Expression of Interest.

The undersigned, duly authorised to represent the (Applicant), by signing this form certifies/certify and declare(s) that the information contained in this Expression of Interest and its Appendices is complete and correct in all its elements.

The undersigned certifies/certify that the (Applicant) is not in one of the situations which would exclude it from taking part in this Call for Expression of Interest listed out in Appendices 5 and 6 to this Expression of Interest. The undersigned shall, upon request, provide all evidence to that extent.

Yours sincerely,

Signature(s):

Name and position in capitals:

Applicant's name:

Place:

Stamp of the Applicant (if applicable):

Date (day/month/year):

⁵ In case of consortia or joint ventures, to be filled in by coordinating entity.

Appendices to ANNEX 1:

Appendix 1 Applicant Identification

Appendix 2 Project Description

Appendix 3 List of Documents Attached

Appendix 4 Declaration of Absence of Conflict of Interest

Appendix 5 Statement Regarding Situations of Exclusion –1

Appendix 6 Statement Regarding Situations of Exclusion – 2: Declaration of Compliance with the EU and National Rules and Policies

Appendix 1⁶ to ANNEX 1

APPLICANT IDENTIFICATION

1.1. Applicant identification

INFORMATION REQUIRED	
APPLICANT NAME	
CONTACT DETAILS	Address: Telephone: Fax: E-mail:
LEGAL FORM	
COMMERCIAL REGISTER , ETC. – REGISTRATION DETAILS	Denomination of register: Date of registration: Country of registration: Registration number:
VAT	Registration number or Statement of exemption issued by the national VAT authority dated.....enclosed under reference..... Issued by.....

1.2. Person authorised to submit the Expression of Interest on behalf of the Applicant and appropriate evidence of such authorisation

INFORMATION REQUIRED	
TITLE	Mr/Ms/Dr/other (delete or complete as appropriate)
NAME	Surname: Forename(s):
FUNCTION	
CONTACT DETAILS	Address: Telephone: Fax: E-mail:

1.3. Contact person (if different from 1.2)

TITLE	Mr/Ms/Dr/other (delete or complete as appropriate)
NAME	Surname: Forename(s):
FUNCTION	
CONTACT DETAILS	Address: Telephone: Fax: E-mail:

⁶ In case of consortia or joint ventures, to be filled in by all participating entities.

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Appendix 2 to ANNEX 1 PROJECT DESCRIPTION

Applicants are asked to provide an outline investment proposal ("Business Plan") in relation to the Financial Instrument. The Business Plan should provide concise information on the following items:

Market

- Detailed description of the targeted market segment;
- Co-operation and/or competition with the relevant partners in the market.

Investment strategy

- Fund focus, including stage and sector (investment criteria);
- Fund size and justification;
- Expected number of investee companies and planned investment rate including follow-on policy;
- Describe envisaged strategy for risk diversification of the Fund's capital (including *inter alia* the maximum concentration per industry sector and the investment limit for a single enterprise);
- Strategy for generation of deal flow, adding-value to investee companies post-investment and exit strategy;
- Financial instruments (equity, quasi-equity) used and expected returns.

Management

- Fund Manager team profile, detailing who would be full-time dedicated to the fund and who would be part-time (with % dedication);
- Relevant team members' CVs (outlining main academic, professional and other relevant experience);
- Relevant team members' track record in risk (Early stage, Growth, etc.) capital transactions (incl. names of investee companies, dates of investment/divestment, investment size, exit multiples, role of team member in each transaction, provide references);
- Description of the joint experience of the team members;
- Description of the team organisation (notably in case of multiple offices).
- Description of where team members (especially investment professionals) will be located in Turkey, background of the team members, description of their relevant experience and expertise to address the Turkish market, their ability to communicate in English and Turkish;
- Description of governance and legal structure foreseen;
- Information on members of the advisory or investment committees, if such to be created;
- Applicant's risk management methodology, procedures and systems;
- Detail the shareholder base/ownership of the Applicant and the envisaged shareholder base for the fund management company, if it is planned to set up a new entity as a fund manager;
- Detail the history of the Applicant and its previous/existing business activities, particularly describing any activity having potential of conflicts of interest with the planned fund;
- Independence of management team;
- Measures proposed to deal with conflicts of interest.

Terms and conditions

- Main economic terms, including management costs (operational budget of the Financial Instrument) and incentive structure proposed;
- Indicative private investor commitment (information including any already existing firm commitments, serious negotiations and fundraising plan);
- Indicative investment from fund management company and the management team into the Fund;

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- Indicative investment requested from IPA;
- Winding-up provisions of the Financial Instrument, including the return of resources from the Financial Instrument to EIF.

The business plan should be consistent also with the Part II Selection Criteria from the ANNEX 2.

There is no set expectation on the document's length, but the Applicants are encouraged to be concise.

Appendix 3 to ANNEX 1

LIST OF DOCUMENTS ATTACHED

- 1) Copy of Applicant's registration Certificate⁷;
- 2) Copy of Applicant's VAT Certificate, if applicable;
- 3) Copy of identity card, passport or any other document which can be used for identification purposes, for the Applicant's Representative;
- 4) Appropriate evidence of the representative's authorisation to act for and on behalf of the Applicant (signatory powers);
- 5) Declaration on absence of conflict of interest as per template provided in Appendix 4, duly signed;
- 6) Statement regarding situations of exclusion as per template provided in Appendix 5, duly signed.
- 7) Statement regarding situations of exclusion - 2 as per template provided in Appendix 6: Declaration of compliance with the EU and National rules and policies, duly signed.

⁷ Copies of original documents (as long as those are in English or Turkish) would be sufficient.

Appendix 4 to ANNEX 1

DECLARATION OF ABSENCE OF CONFLICT OF INTERESTS

The undersigned declares that neither (i) the Applicant nor (ii) he/she/they personally as authorised representative(s) of the Applicant have a direct or indirect interest of such a nature and scale that may affect the performance of the tasks assigned to the Applicant under any Operational Agreement referred to in the Call for Expression of Interest No. IPA-001/1.

The undersigned is/are aware that a conflict of interest could arise in particular as a result of economic interests, political or national affinities, family or emotional ties, or any other relevant connection or shared interest.

The Applicant will inform EIF, without delay, of any situation constituting a conflict of interest or which could give rise to a conflict of interest.

Furthermore, the Applicant and the undersigned in his/her/their capacity as duly authorised representative(s) of the Applicant confirm to have read the EIF Anti-Fraud Policy and declare not to have made nor to make any offer of any type whatsoever from which an advantage can be derived under the Operational Agreement and not to have granted nor to grant, not to have sought nor to seek, not to have attempted nor to attempt to obtain, and not to have accepted nor to accept, any advantage, financial or in kind, to or from any party whatsoever, constituting an illegal practice or involving corruption, either directly or indirectly, as an incentive or reward relating to signing of the Operational Agreement.

Yours sincerely,

Signature:

Name and position in capitals:

Applicant's name:

Place:

Stamp of the Applicant's (if applicable):

Date (day/month/year):

Appendix 5 to ANNEX 1

STATEMENT REGARDING SITUATIONS OF EXCLUSION - 1

The undersigned certifies/certify that the (Applicant) is not in any of the situations which would exclude it from taking part in this Call for Expression of Interest and accordingly declare(s) that the (Applicant):

- i) has never been the subject of a conviction by final judgment for one or more reasons listed below:
 - participation in a criminal organisation, as defined in Article 2 (1) of the Council Joint Action 98/733/JHA⁸;
 - corruption, as defined in the Council Act of 26 May 1997 and in Article 3 (1) of the Council Joint Action 98/733/JHA;
 - fraud, according to the meaning of Article 1 of the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests⁹;
 - money laundering as defined in the Directives 2005/60/EC¹⁰ of 26 October 2005 and 2006/70/EC¹¹ of 1 August 2006, and Directive 2001/97/EC of 4 December 2001¹²;
- ii) has not performed any act which may be qualified as illegal activity in the meaning of the terms of the EIF Anti-Fraud Policy;
- iii) is not bankrupt or is being wound up, where its affairs are not being administered by the court, where it has not entered into an arrangement with creditors, where it has not suspended business activities or is not in any analogous situation arising from a similar procedure under national laws and regulations;
- iv) is not the subject of proceedings for a declaration for bankruptcy, for an order for compulsory winding up or administration by the court or of an arrangement with creditors or of any other similar proceedings under national laws and regulations;
- v) is not "a firm in difficulty" according to the meaning of Article 2.1 of the EU guidelines on State aid for rescuing and restructuring firms in difficulty¹³;

⁸ Joint Action of 21 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on European Union, on making it a criminal offence to participate in a criminal organisation in the Member States of the European Union (Official Journal of the European Union L351 of 29.12.1998), as amended from time to time.

⁹ Council Act of 26 July 1995 drawing up the Convention on the protection of the financial interests of the European Communities (Official Journal of the European Union C316 of 27.11.1995), as amended from time to time.

¹⁰ Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (Official Journal of the European Union L309 of 25.11.2005), as amended from time to time.

¹¹ Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis (Official Journal of the European Union L214 of 4.8.2006), as amended from time to time.

¹² Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 amending Council Directive 91/308/EEC on prevention of the use of the financial system for the purpose of money laundering (Official Journal of the European Communities L 344 of 28.12.2001), as amended from time to time.

¹³ Communication from the Commission – EU Guidelines on State aid and restructuring firms in difficulty (Official Journal of the European Union C 244 of 1.10.2004), as amended or substituted by future EU guidelines from time to time.

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- vi) no member of its senior management has been convicted as a consequence of a judgment which has the force of *res iudicata*, in accordance with the legal provisions of the country of any offence concerning its professional conduct;
- vii) no member of its senior management has been guilty of grave professional misconduct;
- viii) has fulfilled obligations relating to the payment of social security contributions in accordance with the legal provisions of the country in which it is established;
- ix) has fulfilled obligations relating to the payment of taxes in accordance with the legal provisions of the country in which it is established and in the countries where it operates, as applicable;
- x) is not found to have provided serious misrepresentation in supplying the information required in accordance with the Call for Expression of Interest or has supplied such information.

The Applicant and the undersigned in his/her/their capacity as duly authorised representative of the Applicant commit to provide all evidence to the above, upon request by the EIF.

Signature:

Stamp of the Applicant (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

Appendix 6 to ANNEX 1

STATEMENT REGARDING SITUATIONS OF EXCLUSION - 2

DECLARATION OF COMPLIANCE WITH EU AND NATIONAL RULES AND POLICIES

The undersigned certifies/certify that the (Applicant) is not in any of the situations which would exclude it from taking part in this Call for Expression of Interest and accordingly declare(s) that the (Applicant):

- i) Complies with all EU and National rules and policies in relation to Competition and confirms its willingness and readiness to undertake its responsibility for ensuring that investments made under this Financial Instrument respect the provisions of Reg. 800/2008 (as specified in Annex 2);
- ii) Complies with all EU and National rules and policies in relation to the goal of protecting and improving the environment and promoting sustainable development;
- iii) Complies with all EU and National rules and policies in relation to gender equality and non-discrimination;
- iv) Confirms its willingness and readiness to respect the information and publicity provisions applicable to this Financial Instrument.

Yours sincerely,

Signature:

Name and position in capitals:

Applicant's name

Place:

Stamp of the Applicant's (if applicable):

Date (day/month/year):

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ANNEX 2 to the Call for Expression of Interest No IPA-001/1 Financial Instrument: Description and Selection Criteria

Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest, unless otherwise defined below or the context requires otherwise.

In addition to the above, the table below should be read in accordance with the meaning attributed to certain technical and industry-specific terms by Reg. 800/2008. Unless the contrary intention appears, words in the singular include the plural and words in the plural include the singular.

Part I: Description of the Financial Instrument:

Financial Instrument	Risk Capital Fund (or "Fund" or "G 43 Anatolian Venture Capital Fund"). One Financial Instrument will be created subject to the selection process. The financial instrument must be established as a closed-end fund.
Fund Manager	Financial Intermediary selected by EIF to manage a Risk Capital Fund. The Fund Manager will comprise a professional team, operating according to best industry practices, complying with professional standards issued by the EVCA ¹⁴ or other equivalent organisation. Such team will be expected to act independently. One (or more) Fund Manager(s) (i.e. Financial Intermediary) will be selected as a result of the selection process.
Financial Instrument Size (Fund Size)	Given the assisted area nature of the Target Region, the Fund Size (total commitments) should be at least minimum EUR 20m. In order to increase the leverage of the IPA funding and the number of Final Beneficiaries benefitting from the scheme, the Applicants are invited to target a Fund Size in the EUR 30m to EUR 40m range. The Fund Size will be taken into account in the Selection Process.
Indicative maximum amount of funding foreseen (Aggregate IPA and iVCi contribution)	≈EUR 16 m.
Investment amount into an Eligible Beneficiary	In adhering to EU Guidelines on risk capital, the threshold of investment size from the Fund to a single company utilising IPA monies shall be capped at EUR 2.5 million over each period of 12 months.
Investment Stage / Focus	The Fund shall focus on start-up, growth and replacement capital. No turnaround or rescue-type operations shall be allowed.
Geographic Scope (Target Region)	The Fund will target the South-Eastern Anatolia Region, also known as the GAP Region. The GAP Region covers nine administrative provinces: Adiyaman, Batman, Diyarbakir, Gaziantep, Kilis, Mardin, Siirt, Sanliurfa and Sirnak. Up to 50% of the Fund Size will be allowed to invest in other NUTS II Regions having an income per capita below 75% of the Turkish national average as of 2001, as identified under the Regional Competitiveness Operational Programme.

¹⁴ European Private Equity and Venture Capital Association

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	<p>The complete description of the Target Region comprises 12 NUTS II classified regions, bringing together a total of 43 provinces as per list shown below:</p> <table border="1" data-bbox="542 324 1449 1176"> <thead> <tr> <th data-bbox="542 324 826 425">Target Region (12 NUTS II Regions)</th> <th data-bbox="826 324 1449 425">Provinces (NUTS III Units)</th> </tr> </thead> <tbody> <tr> <td data-bbox="542 425 826 481">TR-A1</td> <td data-bbox="826 425 1449 481">Erzurum, Erzincan, Bayburt</td> </tr> <tr> <td data-bbox="542 481 826 537">TR-A2</td> <td data-bbox="826 481 1449 537">Agri, Kars, Igridir, Ardahan</td> </tr> <tr> <td data-bbox="542 537 826 593">TR-B1</td> <td data-bbox="826 537 1449 593">Malatya, Elazig, Bingol, Tunceli</td> </tr> <tr> <td data-bbox="542 593 826 649">TR-B2</td> <td data-bbox="826 593 1449 649">Van, Mus, Bitlis, Hakkari</td> </tr> <tr> <td data-bbox="542 649 826 705">TR-C1</td> <td data-bbox="826 649 1449 705">Gaziantep, Adiyaman, Kilis</td> </tr> <tr> <td data-bbox="542 705 826 761">TR-C2</td> <td data-bbox="826 705 1449 761">Sanliurfa, Diyarbakir</td> </tr> <tr> <td data-bbox="542 761 826 817">TR-C3</td> <td data-bbox="826 761 1449 817">Mardin, Batman, Sirnak, Siirt</td> </tr> <tr> <td data-bbox="542 817 826 873">TR-63</td> <td data-bbox="826 817 1449 873">Hatay, Kahramanmaras, Osmaniye</td> </tr> <tr> <td data-bbox="542 873 826 929">TR-72</td> <td data-bbox="826 873 1449 929">Kayseri, Sivas, Yozgat</td> </tr> <tr> <td data-bbox="542 929 826 985">TR-82</td> <td data-bbox="826 929 1449 985">Kastamonu, Cankiri, Sinop</td> </tr> <tr> <td data-bbox="542 985 826 1041">TR-83</td> <td data-bbox="826 985 1449 1041">Samsun, Tokat, Corum, Amasya</td> </tr> <tr> <td data-bbox="542 1041 826 1097">TR-90</td> <td data-bbox="826 1041 1449 1097">Trabzon, Ordu, Giresun, Rize, Artvin, Gumushane</td> </tr> <tr> <td data-bbox="542 1097 826 1176">TOTAL</td> <td data-bbox="826 1097 1449 1176">43 provinces</td> </tr> </tbody> </table>	Target Region (12 NUTS II Regions)	Provinces (NUTS III Units)	TR-A1	Erzurum, Erzincan, Bayburt	TR-A2	Agri, Kars, Igridir, Ardahan	TR-B1	Malatya, Elazig, Bingol, Tunceli	TR-B2	Van, Mus, Bitlis, Hakkari	TR-C1	Gaziantep, Adiyaman, Kilis	TR-C2	Sanliurfa, Diyarbakir	TR-C3	Mardin, Batman, Sirnak, Siirt	TR-63	Hatay, Kahramanmaras, Osmaniye	TR-72	Kayseri, Sivas, Yozgat	TR-82	Kastamonu, Cankiri, Sinop	TR-83	Samsun, Tokat, Corum, Amasya	TR-90	Trabzon, Ordu, Giresun, Rize, Artvin, Gumushane	TOTAL	43 provinces
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Financial Instrument availability (Fund duration)	Up to 10 years, with the possibility of extension for 2 years																												
Term	<p>The closed-end Fund will have a finite life of ten years after the First Closing.</p> <p>Investors holding at least 75% in aggregate of Total Commitments may agree to an extension of the life of the Fund for a maximum of two consecutive one-year periods to provide for the orderly realisation of Investments.</p> <p>The Fund terminates automatically on the realisation of all of its assets and distribution of proceeds to the investors.</p> <p>Investors holding at least 80% in aggregate of Total Commitments may agree to an early termination of the Fund upon proposal by the Fund Manager of the G43 Anatolian Venture Capital Fund,</p>																												
Fund's investment period	<p>Initial investments in Eligible Beneficiaries are envisaged to be made until 31 December 2017.</p> <p>The disbursements for Management Fee shall follow the disbursement schedule described below under "Schedule of disbursements."</p> <p>In case of Key Executive Event the Investment Period is automatically suspended until a proper solution has been validated by Investors holding at least 80% in aggregate of Total Commitments. If no acceptable solution is found within 6 months from triggering event, the Investment Period is definitively closed and the fund enters into</p>																												

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	liquidation, unless the Investors holding 75% of Total Commitments decide to replace the manager and appoint a new manager.
Type of investments	The Fund will undertake Risk Capital investments, taking the form of either equity or quasi-equity.
Eligible Beneficiaries	The Fund will target SMEs as defined under Commission Recommendation 2003/361/EC, which are not “firms in difficulty” within the meaning of Article 2.1 of the EU guidelines on State aid for rescuing and restructuring firms in difficulty ¹⁵ , as amended or substituted by future EU guidelines (“Eligible Beneficiaries” or “Eligible SMEs”). Eligible Beneficiaries must be registered under Commerce Act of Turkey and have their main place of business in Turkey.
Industry Sectors	Generalist. Where sustainable innovative sectors will be considered. Of particular importance are sectors such as textile, agricultural and food processing industries, and tourism.
Excluded sectors	The Fund shall comply with the sector restrictions as referred to in the Guidelines on the EIF Restricted Sectors, published on the EIF website and updated from time to time and therefore, in particular, not invest in entities which engage in, or that directly or indirectly control, another entity whose business activity is any one or more of the following: <ul style="list-style-type: none"> • Illegal Economic Activities, in particular, human cloning for reproductive purposes; • The production of and trade in tobacco and distilled alcoholic beverages; • The production of and trade in weapons and ammunition; • Casinos and equivalent enterprises; • IT solutions, which (i) aim specifically at any of the aforementioned activities, or (ii) relate to internet gambling and online casinos or pornography or (iii) are intended to enable to illegally (a) enter into electronic data networks or (b) download electronic data; • Human cloning for therapeutical purposes or genetically modified organisms (GMO) to the extent that there are no appropriate monitoring procedures in place in relation to such investment which ensure that compliance with applicable laws is controlled. • real estate sector as the main object of a business.
Portfolio Diversification	The Fund will not invest more than 15% of Total Commitments in one entity provided that the Fund may invest up to 20% of Total Commitments in any one entity with the prior approval of the Advisory Board.
Governing law and language	The legal documentation of the Fund shall be in the English language and shall be governed by the laws of the country of incorporation within the European Union. All Fund related entities, such as general partner, management company, advisor, carried interest vehicle, team members investment vehicles, et similia, shall preferably be incorporated within the

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	European Union. Offshore jurisdiction (Jersey or Guernsey) can be considered if properly justified. Any cross border element of the structure shall be highlighted and justified. Full and unconditional transparency of the governance structure shall give comfort to EIF that no element of a structure would enable tax evasion or tax avoidance from fiscal duties within the tax domicile of any stakeholder.
State Aid regime	Investments are subject to the state aid regime defined by Law No. 6015 of 13 October 2010 (as published in the Official Gazette of the Republic of Turkey dated 23.10.2010 with no. 27738). The Fund Manager will be contractually responsible for ensuring that investments respect the provisions of such regulation.
Private Investors	The Private Investors' participation in the Financial Instrument shall constitute, at any time, at least 20 per cent of the total capital of the Financial Instrument. For the purposes of the above, "Private Investors" shall be deemed to be any investors which, in the reasonable determination of the Fund Manager, are normal economic operators (i.e. investors operating in circumstances corresponding to the market economy investor principle) in a free market economy, irrespective of the legal nature and ownership structure of such operators. In this case, the EIF will be deemed to act as a public investor.
Management Costs of the Fund	The management costs of the Financial Instrument shall be according to market practice and shall not in any case exceed, on a yearly basis, 3% of the committed capital during the investment period, and of the invested capital thereafter. For the purposes of the above, the management costs shall be deemed to include any fees, expenses and costs necessary to set up and manage the Financial Instrument.
Schedule of disbursements	In principle, all amounts paid by EIF should be totally disbursed and spent, either towards investments or management costs, before the end of 2017. In order to cater for this, the Risk Capital Fund's schedule of disbursement by the Private Investors and the EIF may be asymmetrical. The mechanism to be put in place shall ensure that the underlying economic interests of, and the risks taken by the EIF and the Private Investors, will be aligned throughout the existence of the Fund.
EIF/ Private Investor ranking	EIF and the Private Investors in the Risk Capital Fund will rank " <i>pari-passu</i> " ("like risk, like reward").
Fund's due diligence before investments	The Fund Manager will make investment decisions based on each investment's business plan, which should contain product description, turnover and profitability calculations and forecasts, previous assessment of project viability, as well as each investment's clear and real exit strategy compatible with relevant EC regulations.

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<p>Fund's distribution cascade</p>	<p>The distributions of proceeds from a Fund will be made according to the schedule below:</p> <ol style="list-style-type: none"> 1. First, 100% to the Private Investors and the EIF (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital commitments. 2. A Hurdle Rate to be decided by the Fund Manager: Second, 100% to the Private Investors and the EIF (pro-rata to their underlying economic interest) until each investor has received sums equal to a Hurdle Rate cumulative annual rate of return on their contributions drawn down and not yet returned; 3. Fund Manager Catch-up: Third, 100% to the Fund Manager until the Fund Manager has received an additional amount equal to 25% of the total preferred returns distributed to the investors under paragraphs above; and 4. 80/20 Split: Thereafter, 80% to the Private Investors and EIF (pro-rata to their underlying economic interest) and 20% to the Fund Manager (Carried Interest).
<p>Additional features of the Financial Intermediary</p>	<p>The Fund Manager will manage the Fund based on commercial principles.</p> <p>Investors' representatives shall be appointed in appropriate advisory committee structures to review inter alia Fund corporate governance and decide on Conflict of Interests.</p> <p>In the management of the Fund, the Financial Intermediary shall apply best practices and perform control applicable to the public nature of EIF's investment, inter alia considering relevant guidelines developed by EVCA.</p>
<p>Reporting</p>	<p>The Fund Manager shall provide EIF with periodical information in a standardised form and scope, in compliance with IPA regulations, as to be specified in the Operational Agreement, in accordance with the reporting guidelines of the European Venture capital Association (EVCA) and for valuation purposes on the guidelines of the International Private Equity and Venture Capital Valuation Board – IPEV Valuation Board.</p>
<p>Monitoring and Audit</p>	<p>The Fund Manager and the relevant SMEs (final beneficiaries) shall agree to allow and to provide access to documents related to the Financial Instrument for the representatives of the European Commission (including the European Anti-Fraud Office (OLAF)), the Court of Auditors of the European Communities, EIF, CFCU¹⁶ and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Fund Manager shall include appropriate provisions in each investment agreement with Investment Targets.</p>
<p>Publicity</p>	<p>The Fund Manager, in line with applicable law and Instrument for Pre-Accession Assistance (IPA) publicity provisions, shall make the IPA initiative known to the Eligible Beneficiaries that the Funds invests in.</p>

¹⁶ The Central Finance and Contracts Unit of the Government of the Republic of Turkey.

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Additional IPA fund requirements	This Financial Instrument is funded by IPA and it is therefore subject to IPA regulation and requirements, some of which have already being presented in this Annex, hereabove (e.g. Monitoring and Audit, Publicity, Reporting etc). It should be noted, however, that more detailed information on actions necessary to ensure compliance of operations linked to this Financial Instrument with all IPA requirements (e.g. retention of documents, environmental protection, equality and non-discrimination) will be provided to, and discussed with the selected Financial Intermediary during the contractual negotiations process.
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Part II: SELECTION CRITERIA for the Financial Intermediary

1.	ELIGIBILITY CRITERIA	System of appraisal
		Yes/ No
A.	Receivability	
1.1.	The Expression of Interest is submitted within the Deadline;	
1.2.	The Expression of Interest is submitted both by registered mail and e-mail;	
1.3.	The Expression of Interest is completed and submitted in English;	
1.4.	The Expression of Interest is duly signed;	
1.5.	The Expression of Interest is prepared in accordance with Annex 1 to the Call for Expression of Interest. All necessary supporting documents are provided.	
B.	Eligibility	
1.6.	Applicant's absence of conflict of interest (as per template provided in Appendix 4 to the Expression of Interest);	
1.7.	Applicant and its senior management are not in any situation of exclusion (as per template provided in Appendix 5 to the Expression of Interest);	
1.8.	Ability to communicate in Turkish and English;	
1.9.	The Expression of Interest addresses all the items set out in the Project Description (Appendix 2 to Annex 1);	
1.10.	The Expression of Interest addresses all the items of the Financial Instrument, including any special conditions, set out in the relevant parts of the Financial Instrument description (Part I of Annex 2);	
1.11.	Commitment to raise at least 20% of the Risk Capital Fund from Private Investors within an estimated 10 months from the date when the selected Fund Manager is announced;	
1.12.	Applicant commitment for own investment in the Fund of at least 1% of the total Fund size.	

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2.	QUALITY ASSESSMENT CRITERIA	WEIGHTING
2.1.	<p>Project Relevance, Quality and Coherence</p> <p>Evaluation of the Fund focus and proposed investment strategy, including viability of Fund's size. Evaluation of the Fund Manager's team profile, stability and ability to implement the Financial Instrument. Assessment of operational, financial, technical and VC competences. Capability as members of boards and/or committees of an investment and/or advisory nature. Evaluation of Applicant's investment processes, including deal flow generation, ability to invest, ability to add value to companies and exit strategy.</p>	60 points
2.2.	<p>Project Maturity</p> <p>Demonstration of ability to raise at least 20% of the Fund from private investors within an estimated 10 months from the date when the selected Fund Manager is announced. Demonstration of ability to source deals in Turkey (SMEs).</p>	20 points
2.3.	<p>Institutional Capacity & Sustainability</p> <p>Fund Manager organisation, structure and long-term viability. Assessment of the corporate governance in place. Assessment of legal structures and independence. Terms and Conditions, including management fee and profit share arrangements. Assessment of the alignment of interests between the Fund Manager and the Investors. Assessment of Reporting and Control Procedures.</p>	20 points