

Frequently Asked Questions (“FAQ”) to the Open Call for Expression of Interest (“CEoI”) to select financial intermediaries under the Recovery Equity Fund of Funds (“REF”) of Bulgaria

The aforementioned Call for Expression of Interest (further “Call”) stipulated that: “The EIF shall analyse and may provide answer in a form of direct response to the applicants and/or by publishing the resulting answers in the form of **Frequently Asked Questions (FAQ)** at [https://www.eif.org/what we do/resources/ref-bulgaria/index.htm?lang=-en](https://www.eif.org/what_we_do/resources/ref-bulgaria/index.htm?lang=-en). The EIF reserves the right to update the FAQ document from time to time as and when it regards appropriate.”

In accordance with this provision, we hereby present the FAQ document. Capitalised expressions utilised below shall have the meaning attributed to them in the Call, unless otherwise defined below or the context requires otherwise.

Questions may appear as they have been received without any editing by the EIF and in a random order.

Q1	Does EIF REF Bulgaria require exclusivity for fund placement? i.e, no other governmental grant can be place to our fund for EIF participation?
	No exclusivity is foreseen. Other public investors can participate in the Underlying Fund’s investors base as long as all the Call requirements are adhered to.
Q2	Does EIF require the private fundraising amount be in place before granting any funds?
	As per the Call, the timing for fundraising is among the minimum information required for the selection process. Attracting the required minimum private resources is not a requirement at the time of submission of the Expression of Interest.
Q3	Do applicants need to be established companies to apply for funding, or are emerging entities also eligible? (i.e. union of physical entities about to incorporate a fund)?
	The intended fund structure and all related entities must be described (i.e., legal structure, governing laws and whether regulated or not), but not necessarily established, at the time of submission of the Expression of Interest. Establishment will be needed at the time of commitment to the Financial Intermediary. In such case, the relevant team members should sign the Expression of Interest and relevant appendices personally and jointly.
Q4	Regarding the fund size, the guideline mentions a minimum allocation of at least 1x the EIF contribution to the fund. Could you kindly provide further clarification on this requirement, particularly in relation to the Target Recipient(s) as defined in the respective Annexes of the current Call? How does that play come together with the requirements for 30% private capital commitment (based on pari passu) or 10% to 30% private capital under GBER?
	These two thresholds are not related to each other. The required minimum private capital commitment relates to the State aid regime to be selected by the Applicant (30% for pari passu structure, 10% to 30% for non pari passu structure). As per the Call documentation, this minimum private capital commitment is to be achieved either at the Underlying Fund level, or at the level of the Final Recipients.

	The minimum allocation to Target Recipients refers to the obligation of each Underlying Fund that receives financing under the Call to invest an amount (from the total fund amount, including private and public resources) at least equal to the total amount committed to the Underlying Fund from the REF in Final Recipients that, at the time of first investment therein by the Underlying Fund, qualify as Target Recipients.
Q5	Is it permissible to exchange investors on the fund level during the course of the investment period?
	It is typically possible for an investor(s) to transfer its stake in an Underlying Fund to other investor(s), though it normally happens in the later stages of the Underlying Fund's lifetime.
Q6	If we secure an investor for a specific deal who is willing to provide 30% private capital, can we use only this investor's capital in conjunction with the EIF contribution, excluding the capital from other investors who participated at the fund level?
	In principle, no. The Underlying Fund as a whole structure, including public and private investors, shall participate in all underlying deals, using the resources of these investors pro rata to their participation in the Underlying Fund. Additional private investors may contribute at each deal level in addition to the financing from the Underlying Fund.
Q7	Are Russian citizens eligible to participate in funds structure (20% share)?
	Please refer to the Call, specifically par. 5 on Eligible Financial Intermediaries.
Q8	Could you provide additional details on the concept of "pari-passu ranking" as it relates to market-oriented investors? Does it also apply if we choose to follow GBER?
	In line with the Commission Notice on the notion of State aid , to consider a transaction 'pari passu', the following criteria should be assessed: <ul style="list-style-type: none"> (a) whether the intervention of the public bodies and private operators is decided and carried out at the same time; (b) whether the terms and conditions of the transaction are the same for the public bodies and all private operators involved, also taking into account the possibility of increasing or decreasing the level of risk over time; (c) whether the intervention of the private operators has real economic significance and is not merely symbolic or marginal; and (d) whether the starting position of the public bodies and the private operators involved is comparable with regard to the transaction. <p>The pari passu ranking is not a prerequisite when GBER applies; for further information please consult annex-ii-termsheet-innovation.pdf (eif.org), pg. 12, par. II on the Non pari-passu structure.</p>
Q9	Are there specific requirements or formats for CV submissions that applicants are expected to adhere to? Additionally, will the standard EU CV format be accepted?
	No specific CV formats are required. The Applicants can use any CV format they deem appropriate (including the EU CV format if deemed preferable).

Q10	Does the EIF have preferred templates for documents such as conflict of interest declarations, business plans, and investment strategies? If so, could you kindly provide guidance on where these templates can be accessed?
	There are no specific formats / templates to be followed, other than those contained in Annex I of the Call. The Applicants can use any format / template they deem appropriate as long as the information required by the Call is provided.
Q11	<p>On the topic of Independent Private Investors, we have several lines of questions:</p> <ul style="list-style-type: none"> i) The documentation separately states the need for a commitment by the Fund Manager (page 4). Is the commitment of the Fund Manager included in the Independent Private Investor Contribution of 30%? For example, does that mean that in a EUR 30M Underlying fund Independent Private Investors and the Fund Manager need, in total, to commit at least EUR 9M (30%)? Or, does it mean that Independent Private Investors need to commit EUR 9M, while the Fund Manager will need to commit separately EUR 600 000 (assuming a 2% commitment)? ii) What form should the commitments from Independent Private Investors take? Will a commitment letter from the Investor suffice? Or, would the EIF require a stronger form of commitment such as a limited partnership agreement? Or will the EIF require an entirely different form of evidence of commitment? iii) How is the ability of Independent Private Investors to fulfil their commitment ascertained? Is their net worth, income and business participations examined? Are any guarantees required? Does the EIF require that part of this commitment be available for deployment upfront?
	<ul style="list-style-type: none"> i) The Fund Manager shall contribute an adequate minimum percentage of the total size of the Underlying Fund. Such commitment is separate to the commitment of EIF (acting on behalf of REF) and should be subject to the same terms and conditions and therefore the same level of risk and rewards as the EIF commitment). It is, therefore, considered as part of the additional capital raised from Private Investors for the purpose of applicable State aid regime option(s). ii) With reference to Q2 above, actual commitments from Private Investors are not required for applying under this Call. The information for timing for fundraising is among the minimum information required for the selection process. The Applicant can demonstrate existing commitment(s) from Private Investor(s), if available, in any relevant form. iii) There are no explicit requirements for the information provided for Private Investors by the Applicant.
Q12	The documentation states that the Independent Private Investor requirement can be fulfilled either at the level of the Underlying Fund or at the level of the Final Recipients. Is it possible to adopt a mixed approach where part of the requirement is fulfilled at the Underlying Fund level and the rest at the level of Final Recipients? For example, if the applying team is able to secure a commitment by Independent Private Investors amounting to 20% of the Underlying Fund, would securing an additional 10% participation by Independent Private Investors at each investment into a Final Recipient be considered as complying with the relevant requirements?

	<p>The minimum private capital commitment is to be achieved either at the Underlying Fund level, or at the level of the Final Recipients. The Applicant could clarify in the application documentation the intention to fulfil the requirement(s) with a combination at different levels.</p>
Q13	<p>Regarding the Investment Strategy of Underlying Fund (pg.2):</p> <p>i) Does the Underlying Fund need to invest only an amount equal to the REF commitment in Target Recipients or does this requirement also cover the requisite commitment from Independent Private Investors? For example, in case of a EUR 30 million fund where EUR 21 million has been committed by the REF and EUR 9 million by Independent Private Investors, only an amount of EUR 20 million needs to be invested in Target Recipients or the total amount of EUR 30 million needs to be invested in Target Recipients?</p> <p>ii) Are any penalties envisaged for the Fund Manager in case of failure to reach the required amount to invest in Target Recipients (for instance, if the Fund Manager invests EUR 18 million only in Target Recipients, while the REF commitment was EUR 21 million)? Or will a violation occur only if the portfolio of the Fund is more heavily tilted towards non-Target Recipients?</p>
	<p>(i) Please refer to the clarification under Q4 above. The required minimum amount refers to the amount of the REF commitment, but will be invested by the fund in its totality (using all resources, public and private, participating in it).</p> <p>(ii) If the Fund Manager fails to comply with the Commitment Agreement, it will be in breach, with consequences as defined and set in such Commitment Agreement.</p>
Q14	<p>Regarding the legal structure of Financial Intermediaries, page 5:</p> <p>i) Are there any specific requirements as to the legal structure of the Financial Intermediary and the Underlying Fund? For example, are there any obligatory or preferred legal forms?</p> <p>ii) Are there any concrete licensing or certification requirements for the Financial Intermediary and the Underlying Fund to be eligible for the REF?</p> <p>iii) More specifically, is there a requirement for the Financial Intermediary and the Underlying Fund to be an AIF and an AIFM, respectively, in conformity with Directive 2011/61/EU and any relevant national legislation?</p> <p>iv) If the Financial Intermediary is not yet legally in existence, at what point of the application procedure must a legal entity be established?</p>
	<p>The Applicant must describe the intended fund/governance structure, which does not necessarily have to be established at the time of submitting the expression of interest. There are no specific requirements for the legal structure at the point of submission beyond par. 5 on Eligible Financial Intermediaries and references to "General requirements" in Annex II-IV of the Call. Establishment will be needed at the time of commitment to the Financial Intermediary.</p>
Q15	<p>Regarding the track record of the applying team, page 9:</p> <p>i) Will only venture capital and private equity track record and experience be considered, or would experience from other areas of finance such as commercial</p>

	<p>lending, asset management, and corporate finance also be considered beneficial to an application?</p> <p>ii) Will only investments, divestments, exits or other decisions made as part of a decision-making body (e.g. Investment Committee or a Board of Directors) be considered as valid track record? Or will experience as less senior personnel (e.g. analysts or associates producing investment proposals and valuations, credit proposals, budget approvals, etc.) also bring points to an applicant?</p>
	The Applicant should present any track record and experience that it deems relevant for the application.
Q16	Regarding the Fund Manager’s commitment, page 4, when assessing the Fund Manager’s ability to provide such a commitment under REF, how does the EIF ascertain the credibility of such a commitment? Is the net worth, income and business participations of the Fund Manager and its partners examined? Are any guarantees required? Does the EIF require that part of this commitment be available for deployment upfront?
	The terms of the commitment of the Fund Manager will be set at the time of the commitment to the Financial Intermediary.
Q17	Regarding the Deal Flow criterion for the selection of Financial Intermediaries, page 10-11: <p>i) How is the track record of access to deals ascertained? What information should the applying team present to this effect?</p> <p>ii) Should the applying team submit a ready future deal flow pipeline or just a projection of expected deal flow?</p>
	<p>The Applicants are generally encouraged to provide as much information as possible to support their claims. The deal flow criterion will be assessed at the discretion of EIF during the evaluation process.</p> <p>The Fund Manager can describe the expected deal flow in any format, that could demonstrate the appropriateness and relevance of the investment strategy to the market. It is not expected for this deal flow to be necessarily executed upon selection and launch of the fund.</p>
Q18	Regarding the Expected Returns criterion for the selection of Financial Intermediaries, page 9-10, what evidence is required that the fund is to be run on a commercial basis? In addition, how is financial viability validated by the EIF?
	The expected returns and the financial viability of the fund will be commercially assessed at the discretion of EIF during the evaluation process.
Q19	Is the entity which will be receiving the funding necessary to be incorporated ahead of the application, or we can apply as the Key Persons and identify the structure of the entity we will incorporate, in the case that we are approved?
	Please refer to the clarification under Q3 above.
Q20	Is a draft of the Operating Agreement available and if yes, where could I find it?
	The Commitment Agreement(s) will be negotiated only after a positive conclusion of the EIF and REF approval process. The appropriate fund documentation will be finalized considering the specificities of each Financial Intermediary and no common draft has been prepared. Each

	selected Financial Intermediary will be responsible for providing the initial draft of their fund documentation.
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