



## EFSI EQUITY INSTRUMENT

supporting

Union' SMEs, Small Mid-Caps,  
Social Enterprises and Social Sector Organisations

### OPEN CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER THE EFSI EQUITY INSTRUMENT

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The objective of this Open Call for Expression of Interest (the **"Call"**), launched by the European Investment Fund (the **"EIF"**) in cooperation with the European Commission (the **"EC"**), is to select eligible Financial Intermediaries<sup>1</sup> under the framework of an **EFSI Equity Instrument** supported by European Fund For Strategic Investments (**"EFSI"**) and **Horizon 2020** programme.

All applications for an equity investment under the EFSI Equity Instrument submitted by Financial Intermediaries to the EIF should conform to the terms of this Call for Expression of Interest.

In this Call, capitalised terms and expressions shall have the meaning attributed to them in this document and as defined in relevant Investment Guidelines annexed thereto, as appropriate.

## 1. EFSI Equity Instrument

Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p.1) (the **"EFSI Regulation"**) established the European Fund for Strategic Investments (the **"EFSI"**). The Regulation (EU) 2017/2396 of the European Parliament and of the Council amended the aforementioned Regulations (EU) No 1316/2013 and (EU) 2015/1017, by extending the EFSI beyond its initial three-year period as well as by introducing technical enhancements for the EFSI and the European Investment Advisory Hub.

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

Pursuant to the agreement between the European Union (the “EU”) and European Investment Bank (the “EIB”) on the management of EFSI, the EIF has been entrusted to conduct financing and investment operations aiming to enhance access to financing for SMEs, Small Mid-caps, Social Enterprises and Social Sector Organisations established or operating in EU Member States (“**Target Final Recipients**”) and ensuring adequate contribution to the market development in areas such as technology transfer, business angels, social impact and venture capital including fund-of-funds<sup>2</sup>.

Under the EFSI, among other products which form part of separate framework, the EIF will conduct **equity investments** in selected Financial Intermediaries using a combination of the EFSI, EU’s Horizon 2020 contribution and EIF’s own resources (“the **EFSI Equity Instrument**”).

The **EFSI Equity Instrument** aims to support Target Final Recipients during their entire lifecycle, from the pre-commercial phase up to their expansion and growth stage of development.

The EFSI Equity Instrument is deployed in the EU Member States in the form of two windows: (i) the newly created **Expansion and Growth window** and (ii) the InnovFin Equity facility that constitutes the **Early Stage window** of the EFSI Equity Instrument. The resources of the two windows may be combined by the EIF to effectively invest in Financial Intermediaries pursuing multi-stage strategies<sup>3</sup>.

The terms and conditions for the respective windows are set out in Annexes II and III to this Call (jointly referred to as “**Investment Guidelines**”).

## 1.1 Expansion and Growth window of the EFSI Equity Instrument

The newly created Expansion and Growth window of the EFSI Equity Instrument shall provide equity investment in, or alongside, (i) Expansion & Growth Stage Financial Intermediaries, (ii) Multi-Stage Financial Intermediaries. Furthermore, the window aims at undertaking equity investments in the area of (i) Social Impact, (ii) Impact Investing, and (iii) Blue Economy, as defined and further specified in [Annex II](#) of this Call and related Addenda.

Without prejudice to the investment guidelines stipulated in Annex II, the resources from the Expansion and Growth window may be invested in, or alongside, the Multi-Stage Financial Intermediaries together with resources from the Early Stage window of the EFSI Equity Instrument, as further set out in Annex III of this Call.

## 1.2 InnovFin Equity as an Early Stage window of the EFSI Equity Instrument

On 11 December 2013, Regulation (EU) No 1291/2013 of the European Parliament and the Council establishing “Horizon 2020” for the period 2014-2020 was adopted. Under this Programme, the financial instrument named InnovFin Equity (formerly InnovFin SME Venture Capital) was established to target early stage enterprises or other final recipients by providing venture or mezzanine capital to or alongside Financial Intermediaries.

Pursuant to the Delegation Agreement between the EU, EIB and EIF in respect of the financial instruments under Horizon 2020 dated 12 June 2014 and further amended and restated from time to time, the EIF has been entrusted by the EU to implement the InnovFin Equity. EFSI Contribution to this structure, based on the provisions of the EFSI Agreement cited above, increased the volume of available financing. In addition, the European Programme for Employment and Social Innovation provided a contribution to Horizon 2020 to allow social investments under this instrument.

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<sup>2</sup> The scope of this Call does not include the selection of intermediaries under a specific the “pan-European VC fund-of-funds” project, for which a separate call for expression of interest is established.

<sup>3</sup> Although Expansion and Growth window of the EFSI equity Instrument is predominantly focused on the later stage equity investments, certain early stage investment may also be made thereunder, including as part of Multi-Stage intermediaries, as further set out in the respective Investment Guidelines (Annex II).

Under InnovFin Equity, the EIF shall provide early stage equity financing to or alongside selected Financial Intermediaries using EFSI, EU's Horizon 2020 and EIF's resources, including in specific areas such as (i) Space, as well as (ii) Artificial Intelligence and Blockchain Technologies, as further specified in [Annex III](#) of this Call and related Addenda. InnovFin Equity can also address Multi-Stage Financial Intermediaries in conjunction with the Expansion and Growth window of the EFSI Equity Instrument.

In the context of the EFSI Equity Instrument, the InnovFin Equity will be deployed predominantly in EU Member States and observing the requirements and conditions set out by the EFSI. Notwithstanding, the InnovFin Equity will remain available to serve Financial Intermediaries, which do not meet the EFSI requirements, including the ones established or operating in all Horizon 2020 Participating Countries under terms and conditions set out in the Single EU Equity Instrument call for expression of interest<sup>4</sup>. In that case Financial Intermediaries need not to reapply to the Single EU Equity Instrument call for expression of interest if they already applied to this Call.

## 2. Financial Intermediaries

The EIF will implement the EFSI Equity Instrument according to an intermediated model, entailing investments in or alongside selected Financial Intermediaries.

This Call is addressed and restricted to interested parties, which may qualify to become Financial Intermediaries as defined and further specified in the relevant Investment Guidelines (i.e. Annex II and Annex III to this Call).

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

Financial Intermediaries including the managers thereof shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which they may be subject. Financial Intermediaries including the managers thereof shall not be established in Non-Compliant Jurisdictions, unless the operation is physically implemented in the relevant Non-Compliant Jurisdiction and does not present any indication that it supports actions that contribute to targeted activities.

The EIF Anti-Fraud Policy, the EIB Group Policy towards Weakly Regulated, Non-transparent and Non-cooperative Jurisdictions and Tax Good Governance, the EIF Transparency Policy and the Guidelines on EIF Restricted Sectors, shall apply to the investments made in the context of EFSI Equity Instrument. For further information please refer to:

[https://www.eif.org/attachments/publications/about/Anti\\_Fraud\\_Policy.pdf](https://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf)

[https://www.eib.org/attachments/strategies/eib\\_group\\_ncj\\_policy\\_en.pdf](https://www.eib.org/attachments/strategies/eib_group_ncj_policy_en.pdf)

[https://www.eif.org/news\\_centre/publications/eif-transparency\\_policy\\_01022016.pdf](https://www.eif.org/news_centre/publications/eif-transparency_policy_01022016.pdf)

[https://www.eif.org/attachments/publications/about/2010\\_Guidelines\\_on\\_restricted\\_sectors.pdf](https://www.eif.org/attachments/publications/about/2010_Guidelines_on_restricted_sectors.pdf)

## 3. Application procedure

The Call shall remain open until 31<sup>st</sup> December 2020<sup>5</sup> or such other date as announced officially in

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<sup>4</sup> Please refer to the Single EU Equity Instrument [http://www.eif.org/what\\_we\\_do/equity/single\\_eu\\_equity\\_instrument/index.htm](http://www.eif.org/what_we_do/equity/single_eu_equity_instrument/index.htm).

<sup>5</sup> It being understood that the EIF may enter into an EFSI Investment until 31 December 2022, provided that the EIF has approved the EFSI Investment on or before 31 December 2020.

the EFSI Equity Instrument's section on the EIF's [website](#) (the "Deadline").

The interested applicants shall submit a formal Expression of Interest to the EIF before the Deadline by email to the address [[efsi\\_equity@eif.org](mailto:efsi_equity@eif.org)]. The Deadline applies to the reception of the email by the EIF.

An acknowledgement of receipt will be sent to the applicants by the EIF via e-mail, which shall state the confirmation whether or not that the Expression of Interest was received before the Deadline.

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

The Expressions of Interest shall:

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

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

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

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

Applicants may send questions regarding the Call to the same address used for the submission of the Expression of Interest above. The EIF shall analyse and publish the resulting answers in the form of Frequently Asked Questions ("FAQ") in the EFSI Equity Instrument section of the EIF's [website](#). The EIF reserves the right to update the FAQ document from time to time as and when it regards appropriate.

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

## 4. Selection Process

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

The EIF shall assess applications on a continuous basis, using professional analysis and judgment,

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

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

taking into account the terms set out in the relevant Investment Guidelines, including the assessment criteria in relation to the policy fit and the expected performance and following these general steps:

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

The selection process includes an EIF's assessment of the expected performance, as set out in section 4.1, and of the policy fit of the applicant, as set out in section 4.2 below.

On the basis of the assessment of the performance and of the policy fit, the EIF will decide whether an investment proposal qualifies for an investment under the EFSI Equity Instrument. Depending, inter alia, on the stage of the Financial Intermediary, its investment strategy, targeted sectors and geographical focus, the EIF shall determine, at its discretion, whether the application shall be considered for potential investment under Early Stage Window or Expansion and Growth window of the EFSI Equity Instrument or both, as appropriate. In this context, also the availability of financial resources under the respective windows will be taken into account.

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

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

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

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

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

Any personal data provided by the Applicants shall be processed by EIF in compliance with its Data Protection Statement ([EIF statement on the processing operations of Applicants and Financial Intermediaries' personal data, as published on the EIF's website](#)) and the Regulation (EU) 2018/1725 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies offices and agencies and on the free movement of such data, as amended from time to time.

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

## 4.1 Assessment criteria for expected performance

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

### Management Team

- a) Relevant experience
- b) Composition of the team, track record and balance of skills
- c) Ability to provide relevant added value
- d) Ability to provide adequate commitment for the life of the fund
- e) Screening of management team members in accordance with standard market practice and with specific attention to issue related to corrupt, fraudulent, coercive or collusive practices or criminal convictions concerning their professional conduct

### Market

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

### Deal Flow

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

### Investment Strategy

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

### Fund size

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

### Proposed terms

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

### Expected returns<sup>9</sup>

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

### Investor base

- a) Pari-passu ranking (i.e. Like Risk, Like Reward) of market-oriented investors<sup>10</sup>
- b) Evidence of support from other investors
- c) Co-investment strategy and rationale
- d) Screening and monitoring of co-investors to the extent the information is made available to the

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<sup>9</sup> It is being understood that social impact funds are not run with a sole objective of financial sustainability but also focus on delivering social impact and achievement of their social mission.

<sup>10</sup> Market oriented investors mean investors operating in circumstances corresponding to the market economy investor principles, irrespective of the legal nature and ownership structure of these investors, being so-called normal economic operators in market economies.

EIF and in accordance with standard market practice.

## 4.2 Assessment criteria for policy fit

The proposed investment under the EFSI Equity Instrument shall have a clear and demonstrated fit with the EU policies and objectives. The EIF will evaluate each investment proposal on the basis of whether the proposed investment meets at least one of the indicators below<sup>11</sup>:

- a) The applicant targets to proactively invest in more than one (or in the case of Fund-of-Funds, three) Member State(s) of the EU, based *inter alia* on its management team's track-record, strategy, pipeline, office location, composition, or to invest less than 75 % of its invested amounts in any single EU Member State;
- b) the applicant targets to support internationalization of at least 50% of the portfolio companies;
- c) the applicant targets to invest at least 50% of its invested amounts in Member States of the EU where, according to Invest Europe (formerly known as European Private Equity and Venture Capital Association - EVCA) (as published in its 2015 report on European Private Equity Activity) the industry statistics for private equity investment volumes as a percentage of GDP are below the European average<sup>12</sup>;
- d) the applicant targets to invest at least 70% of its invested amounts in Social Enterprises and/or Social Sector Organizations;
- e) the applicant targets to invest at least 50% of its invested amounts in Technology Transfer;
- f) the applicant targets to invest at least 50% of its invested amounts in co-investments with Business Angels or in vehicles or arrangements to be managed by Business Angels;
- g) the applicant targets to focus on areas covered by the societal challenges and industrial leaderships of Horizon 2020, including in the area of Life Sciences, Blue Economy, Impact Investing, or otherwise targets technological, non-technological, organizational or social innovation;
- h) the applicant contributes to availability of non-bank alternative debt and/or equity financing in the EU and targets to invest at least 50% of its investable amounts in Hybrid Debt-Equity Instruments;
- i) the applicant targets to invest at least 70% of its invested amounts in the area of Impact Investing.

If none of the indicators are met, the proposal will not be eligible for investment under the EFSI Equity Instrument.

In addition, and to the extent applicable, the investment proposal will be assessed taking into account one or more of the following indicators:

- (i) expected support to eligible final recipients through further development and value creation<sup>13</sup>;

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<sup>11</sup> In the case of fund-of-funds, each indicator below will be assessed at the fund-of-funds' level, with the understanding that the fund-of-funds meets the listed criteria/ indicators indirectly on an aggregate level through the investments in underlying funds in which it expects to invest.

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

<sup>13</sup> In the case of Technology Transfer, this refers to the acceleration of innovations, especially in the area of key enabling technologies and other Horizon 2020 objectives, promotion of IP, licensing and spinoff activities.

- (ii) additionality of the envisaged investment, i.e.: catalytic role in mobilising funding sources for the applicant;
- (iii) contribution to the development of a structurally balanced business angel/technology transfer/venture capital/private equity market, as appropriate;
- (iv) contribution to the development of the space value chain in the case of investments targeting Space;
- (v) expected support to the development of the European start-up ecosystem in AI/BT, in the case of funds targeting AI or Blockchain;

If none of the indicators are met, the proposal will not be eligible for investment under the EFSI Equity Instrument.

## **5. Publishing of information on the Financial Intermediaries**

The EIF may publish on its website the list of Financial Intermediaries with whom the EIF concluded a Fund Agreement under the EFSI Equity Instrument, a list of the Financial Sub-Intermediaries invested in and a list of Final Recipients thereunder as further specified in the respective Investment Guidelines.