

## CLARIFICATION DOCUMENT

### CALL FOR EXPRESSION OF INTEREST FOR FINANCIAL INTERMEDIARY SELECTION FOR THE LITHUANIAN LEVERAGED FUND

Reference: MHA-1584

No	Question	Answer
1	<p>EoI must be drawn up in writing in English (applications in other languages will not be accepted). Any official documents in a language other than English must be accompanied by a certified translation.</p> <p><b>Is an official translator of the Bank sufficient? Or any other special certification is required? If so, who or what should have issued such certificate?</b></p>	<p>Certified translations do not need to be notarised. As long as translator is certified translator, they can be an in-house employee.</p>
2	<p>Management fees: The fees related to the distribution of ESIF funds are regulated and capped, as described below and in accordance with the applicable CPR / CDR provisions, during the Eligibility Period as per in Article 65(2) of CPR. After the end of the Eligibility Period until the conclusion of their services, the Financial Intermediary shall continue to charge fees based on the same percentage and in accordance with the same methodology as those proposed for during the Eligibility Period. The fee caps shall no longer apply to management fees charged after the end of the Eligibility Period.</p> <p><b>It's unclear what happens after Eligibility Period, a management fee is calculated and continued to be paid? There is uncertainty as it is written that the Eligibility Period cap shall not apply.</b></p>	<p>Yes, the Financial Intermediary will continue to charge fees after the Eligibility Period as before. As described in the Call for Expression of Interest, the aggregate amount of management costs and fees related to ESIF funds over the Eligibility Period cannot exceed a maximum of 8 % of the total amount of programme contributions paid to the financial instrument. This 8 % cap (i.e. ceiling) will not be applicable after the Eligibility Period.</p>

3	<p>Management fees: The Applicant shall present the level of management fee required to managed funds under the Investment Platform in accordance with the methodology and caps set out in Article 13 of CDR. 9.1 Base fee [0 – 5] 9.2 Performance fee [0 – 5]</p> <p><b>Does Base fee mean A maximum of 0.5 % per annum of programme contributions paid to the financial instrument?</b></p> <p><b>Does Performance fee mean A maximum of 1 % per annum of the programme contributions paid?</b></p>	<p>Yes. To clarify, Base fee is to be charged from the day the funds are paid to the Investment Platform and Performance fee is to be charged from the day the funds are paid to the Final Recipients.</p> <p>As described in Business Plan Section IV, sub-section I, the same Base and Performance fees would also be charged for all funds managed under the Investment Platform.</p>
4	<p>Please clarify the fourth requirement of 4.2. „The requirement to secure senior and / junior debt for the investment platform (from commercial banks and/or IFIs).</p> <p><b>Please clarify. Does it mean here a Security package?</b></p>	<p>The requirement should read with the meaning: “The requirement to attract senior and junior debt for the investment platform (from commercial banks and/or IFIs).”</p> <p>For avoidance of doubt, this does not refer to a security package.</p>
5	<p>„The requirement that the Final Recipients retain the funded investments in infrastructure or productive investment for a period of 5 years from the last disbursement of the loan or within the time limit laid down in the State aid rules in accordance with Article 71 of CPR.“</p> <p><b>Please provide additional comments as the Bank cannot control the asset not to be sold as the asset are not mortgaged.</b></p>	<p>Article 71 CPR as well as the above-mentioned investment retention requirement under state aid rules are applicable to the extent the relevant conditions for their application are met.</p> <p>Please note that Article 71 CPR provides for exceptions to its application, while the application of the investment retention requirement of 5 years depends on the applicable state aid scheme.</p>
6	<p>GGE (gross grant equivalent)</p> <p>Project contracts with recipients must specify the GGE of aid and include a declaration by the recipient identifying any de minimis support received in the last three years to verify that the de minimis thresholds are not exceeded.</p> <p>The selected Financial Intermediary should calculate the Gross Grant Equivalent (“GGE”) of each investment in accordance with the Commission’s methodology.</p> <p><b>Please clarify the requirement to calculate GGE.</b></p>	<p>The GGE calculation methodology should always comply with the Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the Union. Article 4 of the mentioned Regulation sets out several GGE calculation methodologies, with Article 4(3) specifying the GGE calculation for de minimis loans.</p> <p>According to the Resolution of the Lithuanian Government dated 25 September 2019 “<i>On the Approval of the Description of the Procedure of Calculation of State Aid for the Owner of an Apartment or Other Premises Pursuing a Commercial Activity and Implementing a Multi-apartment Building Renovation (Modernisation) Project</i>”, which is in line with the above</p>

		Regulation, GGE shall be calculated by HESA using the formula set in the Resolution. The Financial Intermediary shall use the numbers initially calculated by HESA under the rules of the above Governmental Resolution.
7	<p>3. b section provides that the Financial Intermediary shall establish within its organisation a separate block of finance or an independent legal entity in accordance with Applicable Laws.</p> <p><b>Do we understand right that Financial Intermediary may establish separate financial block of finance instead of GP (general partner) as an independent legal entity? What shall be the main functions and purposes of such separate financial block?</b></p>	<p>Yes, either option is possible. Nevertheless, in case the Financial Intermediary will choose to establish a separate block of finance within its organization, this separate block of finance shall be subject to specific implementing rules, providing in particular for the keeping of separate accounts distinguishing the new resources received from EIB from those initially available in the financial institution (Article 51 of CPR), ensuring that operation of the platform can be adequately recorded, monitored and audited. In such a case the Financial Intermediary will be fully financially responsible for the operation of the platform, since legally it will fall under the organization of Financial Intermediary.</p> <p>Please note, for the avoidance of doubt, that the requirement to keep separate accounts distinguishing the new resources received from EIB as well as the audit trail rules are applicable in both cases.</p>
8	<p><b>Please clarify if subcontractors can be disclosed after submitting EoI in case the subcontractors cannot be envisaged in such an early stage? For example, is it possible that applicant participates in the announced Call for Expression of Interest alone but afterwards the applicant finds other subcontractor to participate with?</b></p>	<p>Please refer to section 7.V.(vii) of the Call for Expression of Interest.</p> <p><i>“vii. Subcontracting during the contract implementation. Once the Operational Agreement has entered into force, the successful Applicant shall retain full liability towards EIB for the performance of the Operational Agreement as a whole. EIB will not have any direct legal commitment with the subcontractor(s). During the execution of the Operational Agreement, the Selected Applicant will need EIB’s express authorisation to replace a subcontractor with another subcontractor and/or to subcontract tasks for which subcontracting was not envisaged in the original EoI”.</i></p>
9	<p>The Financial Intermediary shall establish an Investment Platform (e.g. as a Limited Partnership or a Limited Liability Company), in accordance with Applicable Laws.</p> <p><b>Does EIB, from its own perspective, see any specific benefits in establishing a Limited Partnership instead of a Limited Liability Company? Would EIB accept that the Investment Platform is established as a Limited Liability Company?</b></p>	<p>EIB expresses no preference between Limited Partnership and Limited Liability Company. The Investment Platform can be established as a Limited Liability Company.</p> <p>Please note that, in any event and as set out in the CoEI, it will be the ultimate responsibility of the Financial Intermediary to design and to and to implement legal arrangements to achieve the goals of the new Loan Instrument.</p>

10	<b>What are the qualification requirements set for a Financial Intermediary?</b>	As described in the Call for Expression of Interest, the Financial Intermediary should demonstrate adequacy and relevance of the experience with the implementation of similar Financial Instruments, putting together financial structures, managing received funds. Experience in selecting and investing in Modernisation Projects is desired but not mandatory.  Please refer to sections 6,7, 8, 9 and 10 of the CoEI.
11	<b>If the Investment Platform is established as a Limited Partnership, who could be accepted as limited partners to such Limited Partnership?</b>	A body or firm authorised under laws of an EU member state to carry out activities related to the implementation of the Financial Instrument in Lithuania.
12	<b>Financial intermediary intends to partner up with a fund to provide required equity co-investment into the platform. Are there any specific requirements that would restrict a fund to hold 100% ownership of Limited Liability Company or general partner of Limited partnership?</b>	Described cooperation with a fund in terms of the CEoI would be treated as a joint offer of two independent market operators, forming a consortium, therefore the terms regarding the application by a consortium of the CEoI shall apply. Besides, the Group Leader in the case of a consortium, , concluding a cooperation agreement with the fund, shall keep enough operational control over the platform, in order to meet the obligations to be set to the Financial Intermediary under the Operational Agreement with EIB.
13	<b>What reporting will have to be provided to the Leveraged Fund Manager? How frequently and in what form?</b>	Monthly and quarterly reports. Monthly reports will only have show the number of Modernisation Loans issued, the total volume of signatures and disbursements. Quarterly reports will also include (among other things) the list of Final Recipients with signature/disbursement figures, repayments and management fee calculations.
14	<b>Can you please provide any examples of Irregularities that could be identified at the level of Final Recipients?</b>	Please refer to the definition of Irregularity under Article 2(36) CPR:  <i>'irregularity' means any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union".</i>

15	<p>The requirement to select the Final Recipients benefiting from the support of the Financial Instrument with due account of the nature of the Financial Instrument and their potential economic viability or, as relevant, the potential economic viability of the investment projects of the Final Recipients which are to be financed;</p> <p><b>Are there any specific criteria for the assessment of economic viability that have to be met?</b></p>	<p>Selection methodology for Final Recipients (section 7(l)(vii) of the Call for Expression of Interest) shall form part of the Applicant's Business Plan and will be assessed as part of the selection procedure.</p>
16	<p><b>Anticipated conclusion of the Operational Agreement is set for April 20, 2020 approx. 1 month after financial intermediary is selected. Normal process for IFIs to approve senior and junior debt facilities is from 4-6 months, therefore we would ask to extend the deadline until September 12.</b></p>	<p>The Operational Agreement refers to the agreement between the selected Financial Intermediary and the EIB. Agreements with senior and junior debt providers are not subject to the same deadline and will happen after the Operational Agreement is signed.</p> <p>The timeframe for the signatures of agreements for senior and junior debt will be established in the Operational Agreement.</p>
17	<p><b>Are there any restrictions set for the tenors of senior and junior debt layers?</b></p>	<p>Tenors of senior and junior debt would be subject of negotiations between the Financial Intermediary and the debt providers taking into account the tenor of Modernisation Loans (i.e. tenors of senior/junior debt should not exceed the life of all Modernisation Loans).</p>
18	<p><b>Are there any specific requirement (i.e. rating, etc) regarding the selected account bank for the Investment platform (limited liability company/limited partnership)?</b></p>	<p>Requirements for selected account bank will be defined in the Operational Agreement and will include among others: (a) banking licence (from EU country) and (b) financial statements, demonstrating sound financial management to the satisfaction of EIB.</p>

The foregoing clarification document shall form an inseparable part of the procurement documents.