CLARIFICATION NOTE
MHA-1484 Infrastructure Fund of Funds Greece/ Call for Expression of Interest
Reference: MHA 1484

No	Question	Answer
1	As part of the Business Plan to be submitted with the Expression of Interest, Applicants are required to provide a description of projects that will form the project pipeline, including the type of projects and their key characteristics. a. Since the information requested for the Project pipeline/portfolio is quite detailed, in a way that the prospective client, the investment location etc. would be uniquely identified, please elaborate on the confidentiality terms, regarding the proposal and especially regarding the investment projects (pipeline), as clients have expressed concerns regarding inclusion of data on their prospective projects. b. This is even more crucial as we are called upon to provide our financial assessment of prospective projects. Could you please elaborate on the form and extent of the financial assessment required?	Applicants should take note that their offers, at the appraisal stage, will be treated with confidentiality. Applicants are neither required to disclose the names of their respective counterparts nor any other information uniquely identifying their clients (e.g. investment location could be defined according to whether it is in a “developed”, “less developed” or “transition” regional category). Applicants must ensure that their offers include all necessary information required (detailed to the extent possible in particular with respect to project pipeline maturity) under the Call for EoI in order for EIB to evaluate their offers. Applicants should also take note that the information provided in the context of their offers should be verifiable in case EIB performs an on-site due diligence. Applicants may consider providing key financial profitability ratios, such as Internal Rate of Return, Economic Rate of Return, Return on Assets, Return on Investment etc.

2	According to the Call for EoI, the anticipated conclusion of the Operational Agreements with the Selected Applicants, is estimated on 11/2018, so the activation of the FI will take place some weeks later, taking into account the credit approval process and documentation drafting and execution for each project that will need to take place before drawdown. However, due to regulatory or other deadlines (eg operational completion within 2019 for RES projects), it is possible that some of the proposed investment projects to be financed will have a start date before the activation of the InfraFoF, especially when special mechanical equipment has to be ordered (and advance payments need to be made) at least 6-8 months in advance of required delivery, due to constraints on the production of the exporter of the required equipment. a. In order to support the project's already scheduled timeframe, can the Applicant in certain cases extend a bridge financing corporate loan and at a later time, refinance the loan using InfraFoF, or at least extend the Senior Tranche of the commercial lending in advance and drawdown the Senior and / or the Junior Tranche of the InfraFoF following the conclusion of the Operational Agreements in end of 2018? This could also benefit speedy absorption of the fund, as the more mature products (which are preferred) might also be combined with tighter deadlines for completion.	On the refinancing element of your question, please note that refinancing is not eligible activity under the InfraFoF. On the remaining elements and without prejudice to State aid rules, InfraFoF tranches can be disbursed following the disbursement of co-financing and/or equity on the condition that the Financial Intermediary will verify that the InfraFoF investment will have one or more of the following effects on a specific project: (a) A substantial increase of the project/activity size arising from the aid; (b) A substantial increase of project/activity geographical scope arising from the aid; (c) A substantial increase of the project/activity amount invested by the beneficiary arising from the aid; (d) A substantial increase of the project/activity execution speed arising from the aid. *NB: Applicants should not treat the above as investment, or other, advise on how to formulate their investment policy, rules and procedures with respect to InfraFoF and co-financing investments.*
3	In section 3.c "Investments products to be offered by Financial Intermediaries" of the EoI, there is a restriction to the dividend distribution to project sponsors/shareholders, related to the Junior Tranche. Please clarify if the Final beneficiary can distribute	The relevant provision of section 3.c of the Call for EoI provides that the junior tranche should be reimbursed prior to dividend distribution. It is up to the financial intermediary's assessment and lending policies whether the final recipient will be entitled to distribute dividends to its shareholders annually or at the end of the repayment period.

	dividends annually after the annual reimbursement of the Senior and Junior Tranches during the whole repayment period, or can dividends only be paid after the total repayment of the Junior Tranche?	
4	According to the Call for EoI, in section 3 there are details on the InfraFoF allocation of resources. Moreover, could you please clarify if there are any additional Internal Portfolio Limits, i.e. minimum and maximum concentrations per project, or per OP objective, and if there is a maximum allowed or maximum suggested CAPEX or loan size for each investment project?	There are no specific limits apart from the ones indicated in the Call for EoI. Applicants should indicate in their investment strategy the diversification policy and portfolio rules that they will follow (not binding for EIB).
5	According to the Call for EoI, in section 4.1 there is a short description of the mechanism for the Allocation of the amounts to FIs, initially and performance based. In case of an investment project that will require funding with an amount greater than the allocation of the Initial Tranche (€33,3mio per Applicant), is there any provision in order to ensure that this project will be financed through the InfraFoF? For example, is the whole required amount allocated to the specific project upon signing the relevant financing agreements or should the exceeding part be financed by the second tranche to the Applicant, and in this case please clarify how the exceeding amount is secured for the specific project.	The disbursement of the second and any subsequent tranche is subject to meeting the disbursement, not commitment, thresholds of the prior tranche(s). The amount committed into a project does <u>not</u> constitute sufficient evidence for EIB that the financial intermediary will meet the disbursement thresholds set out under the Call for EoI and/or the Operational Agreement. From the moment that the financial intermediary meets the first disbursement threshold (60% of the first tranche) it may request a second tranche in order to cover the funding requirements of the underlying projects. Without prejudice to the Financial Intermediaries' performance the Hellenic Republic has envisaged approx. EUR 450m to be invested in eligible projects. The specific terms and conditions regarding disbursements will be delineated in the relevant Operational Agreements. In any event, disbursement of funds under the Operational Agreement shall only be possible subject to availability of funds in the FoF.

6	According to the Call for EoI, for the scoring of the Assessment Criteria 6, the size and maturity of the Project pipeline will be assessed. Should the size of the Project pipeline correspond only to the initial tranche of 25% of the Aggregate Amount (i.e. up to EUR 100m), to the whole Aggregate Amount (€400 m) or to the Initial Amount (€450m)?	As indicated under Assessment Criterion 6 of the Call for EoI, EIB shall evaluate, among others, the size of the pipeline, which should be read in conjuction with the amount of funds expected to be available under the InfraFoF, namely approximately EUR 450m.However, depending among others on its project pipeline, it is up to the Applicant to decide how it will proceed.
7	According to the Call for EoI, for the scoring of the Assessment Criteria 9, the additional financing-leverage will be assessed. Should the projected amount of external funds be provided as an amount or a percentage? In addition, will the Applicant's irrevocable commitment be monitored on a Project pipeline/portfolio basis, or on a single project basis?	Without prejudice to the minimum threshold of co-financing indicated in Sections 3.c and 3.e of the Call for EoI, Applicants should indicate the proposed co-financing as a percentage of the funds allocated to them. In addition, as a detailed project pipeline presentation is a criterion under the EoI, we would expect to see specific commitments related to specific projects in order to better understand the applicants' commitment.
8	In the context of ramp-up of a new investment, working capital is required for the first period of operation (as part of the total investment budget), for example for purchasing the necessary raw materials. Will such working capital requirements be included in the project budget and financed by the various sources, including the InraFoF or at least, if the bank covers the financing of this working capital, will such financing be counted for the criteria of scoring the applicant‘s proposal?	The current set-up of the InfraFoF mainly envisages that Applicants should primarily indicate their commitment on co-financing offered for fixed capital investments. Nevertheless and subject to: i) ESIF and State aid rules, ii) directions provided by the Managing Authority and the Investment Board and iii) type of support required by project promoters/mature projects, EIB may in coordination with the selected Applicants discuss the potential of introducing additional financing components.
9	Article 3.a page 8 "The above indicative target distribution shall be monitored on a yearly basis and modified, if and when necessary, following	There is no regular "annual" modification procedure. Any modification will take place if and when necessary and on an ad-hoc basis. The spirit of this clause is to ease absorption and is expected to be done in cooperation with selected Financial Intermediaries.

	Investment Board approval. Final allocation of ESIF resources would be within the ranges specified above" Please indicate procedure of annual modification of indicative target distribution of funds. Revised distribution will apply only to year in question or run forward? In the next year, which target would apply? The original one or the revised?	
10	Article 3.c page 9 "A junior tranche: Second-ranked tranche, which is reimbursed following the reimbursement of senior lender(s) / tranche(s) and in any case prior to any dividend distribution to project sponsors / shareholders…" Please clarify extent of subordination of junior loans: is it on an annual basis, i.e. junior loans servicing is permitted on an annual basis after senior loan servicing, or the subordination is total, i.e. junior loans are served (interest and capital payments) only after senior loans are repaid in full? Depending on the answer, please clarify what happens to dividend distribution.	See also answer of question 3. Junior tranche is subordinated to senior lenders and is senior to shareholders, i.e. any dividend distribution to shareholders should take place following the reimbursement of the junior tranche. On this basis, applicants should further develop / specify the product under their investment policy, e.g. including how they foresee dividend distribution on a project-by-projectbasis.
11	Article 3.c page 9 "The weighted average interest rate (senior and junior tranche, if and where applicable) shall be preferential (i.e. below market rate), ensuring a FRR to private investors and cost coverage of the EIB loan for the Hellenic Republic. In principle, ESIF and additional national contributions should be priced at a minimum of 50% of the EIB funding rate plus a margin to cover for administrative costs and risk premium (and/or any other component proposed by the Applicant in his Offer)."	Financial intermediaries will be responsible for pricing the loans, in accordance with their Business plan / Investment policy and their internal risk policies and procedures. Independent Experts will verify the Fair Rate of Return.

	The margin covering administrative costs and risk premium is understood to be set by the Financial Intermediary, subject to Independent Expert's approval. Please confirm or otherwise. What is meant by "and/or any other component proposed by the Applicant in his Offer"?	
12	Article 3.c page 10 "Subject to State aid rules, Financial Intermediaries shall procure co-financing of at least 43% of public monies invested in Infrastructure Projects (i.e. 30% of total project cost) that have a legal establishment or branch in Greece." 1. Co-financing sources may include institutions and /or individuals other than the Financial Intermediary, which is not obliged to participate in the financing scheme of a project with its own funds. Please verify. 2. Do co-financing institutions or individuals other than the Financial Intermediary need approval by EIB to participate in the financing?	1. Financial Intermediaries are not obliged to provide own financing, nevertheless they remain responsible to <u>procure</u> co-financing in accordance with the minimum thresholds set out in the Call for EoI 2. Applicants have the sole responsibility to assess the credibility / reliability of third party co-financiers. To this effect, they should describe in their offers the intenal policies and procedures for assessing / selecting third party co-financiers. In this respect, section 4.2 of the Call for EoI could serve to offer certain guidance (see indicatively section on negative obligations).
13	Article 3.c page 9 "A junior tranche shall be capped at 25% of total investment cost and…" Please verify that "total investment cost" means "total eligible cost".	Total investment cost means total eligible cost.
14	Article 3.d page 11 "For this purpose, on the basis of the Applicants' Offers (not binding for EIB), the Operational Agreements between EIB and each of the Financial Intermediaries will set out progressive targets which will be compulsory for the	This particular provision of the Call for EoI aims to provide some flexibility to Financial Intermediaries on meeting the regional and sectoral allocations of the InfraFoF across the investment period, in view also of the absorption restrictions of ESIF. To this effect, there will

	Financial Intermediaries. Subject to each particular project's eligibilities (e.g. compliance with OP, regional restrictions etc.), ESIF and National Public Funds comprising each loan shall be in principle allocated pro-rata to the abovementioned allocations" Please explain "progressive targets which will be compulsory for the Financial Intermediaries"	be a particular timeframe for meeting the progressive targets, which will become a contractual obligation of the parties.
15	Article 4.1.1. Page 14 "After payment of the first tranche, a second tranche will be distributed by the EIB to each Financial Intermediary that has disbursed at least 60% of the first tranche to eligible projects." What is the anticipated size of the second and subsequent tranches? How is it proposed that these tranches will be allocated between each Financial Intermediary?	In principle, the second and subsequent tranches will be equal to the first one. For the period post 31 December 2020 (item3 of section 4.1.1 of the Call for EoI), the amount of each tranche may deviate from the first one taking into account the performance of each selected financial intermediary as well as the underlying projects' funding requirements.
16	Article 4.1.1. Page 14 "If a Financial Intermediary has not managed to meet the first threshold (i.e. 60% of the first tranche being disbursed to eligible projects) by 31 December 2020, as of 1 January 2021, the EIB, at its discretion and subject to the decision of the Investment Board, shall be entitled without any notice to de-commit the part of the tranche that has not been spent for eligible expenses…" Is it possible for funds to be de-committed while a loan by a Financial Intermediary to a Final Recipient has not been fully disbursed and the project is still in the construction phase?	In principle, in cases where there are pending funds to be disbursed to eligible projects which are under construction, such funds will remain committed to the financial intermediary in order to meet its funding obligations vis-à-vis the relevant final recipients(s). Obviously, these cases will be assessed on an ad-hoc basis, taking into account the overall progress of disbursements, the construction stage and the overall maturity stage of the project(s) under question.
17	Article 4.1.2	Yes.

	Page 15 "Independently from managing the InfraFoF, the EIB may, at its sole discretion, provide financial support from its own resources for Infrastructure Investments. The form and amount of the support is subject to the EIB's internal rules and procedures. Such potential financial support may include a loan extended by the EIB to any third party eligible to obtaining financing from the EIB with a view to co-financing Infrastructure Investments." In case EIB provides funding directly to a project from its own resources, the funds provided will qualify as co-financing i.e. be included in the calculation of the minimum leverage?	
18	Article 4.2 Page 16 "The requirement to provide support to Final Recipients in a proportionate manner, which has the least distortive effect on competition." Please clarify the phrase "-The requirement to provide support to Final Recipients in a proportionate manner, which has the least distortive effect on competition". What is the meaning of "competition" in this context? It is evident that Financial Intermediaries will endeavour to support promising projects to the extent possible to achieve their prompt realization.	This reflects the requirements of State aid rules and will have to be seen in the respective context. With respect to state aid matters, applicants should seek their own advice.
19	Article 4.2 Page 16 "The requirement to hold, maintain and require the Final Recipients to hold and maintain amounts received from the InfraFoF in a bank account with a[n investment grade] credit institution situated within the territory of a Member State of the EU."	The requirement to hold, maintain and require the Final Recipients to hold and maintain amounts received from the InfraFoF in a bank account with a credit institution situated within the territory of a Member State of the EU shall be an undertaking of the selected Financial Intermediaries under the Operational Agreements. The rating of such credit institution will be decided during negotiations of the Operational Agreement taking into account the proposal of the selected applicant(s) (not binding for EIB). This is also applicable for the monies received by Financial Intermediaries.

	• With regard to the obligation that amounts received by the Final Recipients are in a bank a/c with "a [n investment grade] credit institution", please clarify if the symbol [ ] used implies that this matter has not yet been resolved and a decision on it is pending. It should be noted, however, that funds are disbursed to the Final Recipients to cover payment of work done. In this context, does this obligation extend also to the monies received by Financial Intermediaries in the case of the first or subsequent tranches disbursed to them? • Do both the Financial Intermediary and the Final Recipients need to hold and maintain amounts received from the InfraFoF in a bank account with an investment grade bank? Given that no Greek systemic bank is an investment grade bank how will the InfraFoF amounts will be disbursed by the Financial Intermediary to a Final Recipient?	
20	Article 4.2 Page 16 The requirement to ensure that the Financial Recipients undertake to comply with applicable State aid rules and that the Financial Intermediaries shall repay any support received through the InfraFoF which constitutes unlawful State aid. Will the MED provide specific guidance on State aid? And if so, when is that expected to happen? It is possible that such guidance may have an effect on the project pipeline being developed by an Applicant to be included in its EoI.	Yes, there will be specific guidance on State aid on the basis of a State aid scheme that will be assessed by the European Commission's competent services. This is an ongoing process. EIB is not in a position to indicate the completion time of this process. EIB cannot provide advice on the Financial Intermediaries project pipeline with respect to any matter (incl. state aid) whatsoever. With respect to state aid, applicants should seek their own advice and accommodate their proposal accordingly in case they deem that State aid rules may impact their pipeline.
21	Article 5 Page 18 "…and delivered either:	Correct: A Greek post office postmark date before midnight on 12/07/2018 is a valid date.

	(a) By registered post, to the following address: … dispatched by midnight on 12/07/2018 at the latest, as evidenced by the postmark; or (b) By handing it in (by messenger or courier) at the reception desk of the …" Please clarify that a Greek post office postmark date before midnight on 12/07/2018 will be a valid date. Please also clarify whether a DHL Greece postmark date before midnight on 12/07/2018, is also acceptable.	A DHL Greece postmark date before midnight on 12/07/2018 is also a valid date.
22	IV Page 26 If the Financial Intermediary foresees a combination of its management fee proposal with remuneration received also from projects this must be clearly stipulated in its EoI while such remuneration should be in line with the overall pricing policy of the Financial Intermediary. • Please determine what is meant by "remuneration received from projects" • It is understood that these fees will constitute an income of the Financial Intermediary alone and are not reimbursable to EIB. Please confirm our understanding. • Remuneration received from projects": Does its level or terms and conditions applicable have any bearing on the score given to the Applicant in the context of Qualitative Assessment Criterion No. 4 (Quality of Investment Policy)?	Any fees received from final recipients, attributable to InfraFoF funds will not be considered as an eligible expense under the loan. For any further information of eligibility of management costs and fees, applicants could consult the EGESIF_15-0021-01 26/11/2015 "Guidance for Member States on Article 42(1)(d) CPR– Eligible management costs and fees" which is available at the following link http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_ms_eligible_costs_fees.pdf Remuneration received from projects, if any, will be taken into account in the context of Assessment Criterion 4.

23	IV Page 27 “From the period from 1 January 2024 onwards the management fee should be comprised of two components: i. As a percentage of the residual outstanding amounts which are actually repaid to the Financial Intermediary by the supported projects (Performance Fee 1); ii. As a percentage of the actual returns (i.e. interest rate and/or other returns) reimbursed by the supported projects to the Financial Intermediary (Performance Fee 2);” • In regards to management fees: The percentages of Performance Fee 1 will be applied annually upon the cumulative outstanding amounts which are repaid to the FI? • Regarding Performance Fee 2, the percentage will be applied upon the annual actual returns (i.e., interest income) reimbursed by the supported projects to the Financial Intermediary. Please verify our understanding. • Please also confirm, or otherwise, that Performance Fee 1 and Performance Fee 2 cannot exceed the amounts stipulated in Article 13(b) of the CDR.	Performance Fee 1 is applied on the outstanding amount of each loan which is actually repaid to the Financial Intermediary (i.e. is not in a default status). Performance fee 2 will be applied on the actual annual returns (i.e. interest income) reimbursed from supported projects to the Financial Intermediary. Fees that are applicable to services rendered from 1 January 2024 onwards are not subject to the thresholds stipulated in Article 13(b) of the CDR.
24	IV Page 28 “Indicative timetable: For the purpose of the Business Plan(s), Applicants are requested to prepare a financial model (that shall cover the entire period until the winding up of the FI based on the following indicative timetable for the selection of the Final Recipients and the related disbursements:” Time-span of financial model: It is understood that the financial model will span the investment period (2019-2023) plus an additional 20 year period	Financial intermediaries should provide a financial model covering the period until winding-up. In essence, the financial model is “split” in two time periods. The first period up to 2023 is expected to include more precise estimations.

	until the winding up of the FI, i.e. a total of 25 years, on the assumption that maximum loan tenor will be 20 years. Please verify or suggest otherwise	
25	IV Page 28 Winding up provisions: The Applicant should briefly describe the winding up procedures for the FI, including conditions for returning any resources attributable to the InfraFoF contributions, the MA, or to another designated competent public authority. This would include receipts from the original investments plus any earnings. Winding up may take place before or after the end of the eligibility period and the repayment of the contributions to the MA or to the InfraFoF. If before, the date of winding up is used as a reference for the pro rata temporis calculation of the thresholds for management costs and fees of the InfraFoF and the base remuneration of the Financial Intermediary. Winding up provisions: It is understood that, under normal circumstances, winding up of the FI will take place after the full repayment of invested capital, gains and other earnings or yields to the EIB. Please specify whether these monies will be swept by EIB as they come by, or at regular intervals, or at winding up.	Winding-up provisions are part of the investment policy of the applicants (not binding for EIB). Previous experience demonstrates that a prudent approach would be more appropriate considering also the nature of the funds involved.
26	Annex 3 "Annex 3 – Declaration to be made by the Applicant" Please clarify whether the declarations to be made by the Applicant (Questions 5 to 11) need to be accompanied by supportive documentation.	No supportive documentation is requested regarding Annex 3 at this stage of the Call for EoI.
27	In Article 3c (page 10), it is stated that: "*Subject to State aid rules, Financial Intermediaries shall procure co-financing of at least*	The figure of page 9 indicates that commercial lending should be at least 20% of total (eligible) project cost.

	43% of public monies invested in Infrastructure Projects (i.e. 30% of total project cost)", while the figure of page 9 indicates that equity shall be at least 10% of total project cost, without stating the respective minimum percentage of commercial lending. It is our understanding that commercial lending shall be at least 20% of total project cost. Please confirm.	

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