



CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Call for Expression of Interest for the selection of Financial Intermediaries

Zagreb, March 2025

INTRODUCTION

The purpose of this Call for Expression of Interest for the selection of Financial Intermediaries (hereinafter: the Call) is the selection of Financial Intermediaries that will manage an alternative investment fund in accordance with the terms and conditions of the Investment Programme¹.

HBOR has provided its own funds (hereinafter: HBOR funds) for the implementation of the Investment Programme. HBOR's investment shall be made through Financial Intermediaries, i.e. Alternative Investment Funds (hereinafter referred to as: AIF), in its own name and for its own account.

The objective of the Programme is to enhance the availability and diversify the funding sources for Croatian companies, enabling entrepreneurs to access capital through investments by AIFs. The Programme is aimed at financing innovative projects of start-up companies, SMEs and mid-cap companies with high growth potential.

The emphasis is on investments that contribute to economic and social development, in line with sustainability goals and promotion of balanced and sustainable regional development of the Republic of Croatia.

There is no legal entitlement of Applicants to receive an investment. HBOR evaluates each application separately and retains full discretion in determining the investment amount for each individual AIF. When making investment decisions, HBOR will take into consideration the strategic interests of HBOR and Republic of Croatia.

Applicants must fulfil the conditions of this Call and the Programme.

HBOR reserves the right to change the terms and conditions stated in this Call, and all possible changes will be published on the website www.hbor.hr.

1. TERMS AND CONDITIONS OF THE PROGRAME

TERMS AND CONDITIONS OF INVESTMENT

1. AIFs

Eligible AIFs:

- i. AIFs in the process of establishment or existing AIFs;
- ii. Established in the EU or to be established in the EU;
- iii. Have a defined investment period in line with market practice (usually 5 years, with the possibility of extension in accordance with the AIF's contractual documentation);
- iv. Have a limited duration (usually not exceeding 10 years, with the possibility of extension in accordance with the AIF's contractual documentation).

2. Financial Intermediaries

Financial Intermediaries are companies that manage AIF or other legal entities that advise AIF and/or special purpose vehicle with the aim of making investments in equity and quasi-equity financing of Final Beneficiaries.

Financial Intermediary must meet the following **key conditions**:

- i. Members of the management team of the Financial Intermediary must invest own funds in AIF;
- ii. All investors in AIF must have equal investment conditions (*pari-passu* principle);
- iii. The Financial Intermediary must ensure investment of Private Investors in an amount corresponding to at least 30% of the total size of the AIF;

¹ The Alternative Investment Funds Investment Programme is published on HBOR's website on the same page as this Call.

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- iv. The commitment of any investor shall not exceed 50% of the total size of the AIF, except in the case of a technology transfer fund where the share of an individual investor may be higher;
 - v. As part of the AIF's investment strategy, they intend to invest at least the amount of HBOR's commitment in the areas listed in Annex II of the InvestEU Regulation²;
 - vi. As part of the AIF's investment strategy, they intend to invest in Final Beneficiaries which, at the time of the AIF's first investment in them, are established in the Republic of Croatia and carry out the majority of their business in the Republic of Croatia or are planning an investment that will start long-term business in the Republic of Croatia (indicated, for example, by a significant workforce in the Republic of Croatia or other relevant indicator). The amount of investment in such Final Beneficiaries must meet one of the following criteria:
 - 70% of the total size of the AIF, or
 - Double amount of HBOR's commitment (for every euro of HBOR's commitment, AIF must invest one additional euro, at least).
 - vii. Must be familiar with the Croatian business environment, and preferably it should ensure presence on the Croatian market by establishing subsidiaries or offices in the Republic of Croatia with an appropriate team which includes investment professionals who are able to operate in the Croatian business environment (including adequate language skills) for the entire duration of the AIF;
 - viii. Must be established in the EU or will be established in the EU;
 - ix. Has developed or is developing or are willing to develop an ESMS (Environmental and Social Management System) or ESG (Environmental, Social and Governance) framework to be used throughout the entire duration of the AIF;
 - x. When investing in Final Beneficiaries, where applicable, Financial Intermediaries should implement all necessary assessments so that such investment "does no significant harm" (abbreviation: DNSH) to the EU's environmental objectives in terms of the DNSH principle in accordance with Article 17 of the Regulation (EU) 2020/852³.

HBOR's commitment will generally be at least 7.5% of the total size of the AIF, and not more than 25% of the total size of the AIF.

If the AIF, in addition to the key conditions, meets any of the additional conditions listed below, HBOR may consider a higher commitment. Additional conditions are as follows:

- i. For commitment up to 50% of the total AIF size:
 - the AIF's investment strategy has to be focused on regional development (projects and companies from economically less developed areas, e.g. supported areas, the islands and hill or mountain areas of the Republic of Croatia⁴); or
 - the AIF has to be managed by a team without prior joint experience in the management of AIF; or
 - the AIF has to be managed by a gender balanced team.
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² REGULATION (EU) 2021/523 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 March 2021 on establishing the InvestEU programme and amending Regulation (EU) 2015/1017 (SL L 107, 26.3.2021) <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32021R0523>

³ REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending the Regulation (EU) 2019/2088 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

⁴ Special areas of the Republic of Croatia:

- Supported area – Units of local and regional government classified in group I, II, III or IV in accordance with the Act on Regional Government of the Republic of Croatia (the Official Gazette of the Republic of Croatia No. 147/2014, 123/2017, 118/2018) and the Decision on Classification of Units of Local and Regional Government According to the Level of Development (Official Gazette of the Republic of Croatia No. 3/2024) and all its changes and amendments.
- Hill or mountain areas – Areas in accordance with the Act on Hill or Mountain Areas (Official Gazette of the Republic of Croatia No. 118/2018) and the Decision on the Scope and Classification of Units of Local and Regional Government that Acquire the Status of Hill or Mountain Areas (Official Gazette of the Republic of Croatia No. 24/2019) and all its changes and amendments.
- The islands – In accordance with the Islands Act (Official Gazette of the Republic of Croatia Nos. 116/2018, 73/2020, 70/2021) and all its changes and amendments.

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- ii. For commitment up to 70% of the total AIF size:
 - the AIF's investment strategy has to be focused on technology transfer.

HBOR's commitment in a particular AIF may amount to a maximum of EUR 25 million.

3. Private Investors

Private Investors are considered to be:

- i. majority privately owned financial institutions (investing at their own risk and from their own resources);
- ii. Funds of funds:
 - a. those classified as an AIF under the Directive on Alternative Investment Fund Managers⁵,
 - b. those that are managed or advised by an independent management team,
 - c. those whose majority sponsors are not Member States or national promotional banks or institutions or the EIF or the European Investment Bank;
- iii. private endowments or foundations;
- iv. family offices and business angels;
- v. majority privately owned corporate investors;
- vi. insurance companies;
- vii. pension funds;
- viii. private persons;
- ix. academic institutions (including private research institutions and universities) investing their own resources arising from their commercial activities;

if they do not receive any public incentive for the purpose of investing in the AIF.

4. Final Beneficiaries

Eligible Final Beneficiaries are micro, small and medium-sized companies⁶ and mid-cap companies⁷ (up to 3,000 employees) in the following investment development stages as defined by the Invest Europe⁸ methodology:

- Seed,
- Start-up,
- Later stage venture,
- Growth capital,
- Replacement capital,
- Buyout.

Ineligible Final Beneficiaries are those:

- i. That carry out an activity on the List of ineligible activities⁹, and/or
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⁵ DIRECTIVE 2011/61/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 8 June 2011 on Alternative Investment Fund Managers and amending regulations 2003/41/EC and 2009/65/EC and the regulations (EC) No. 1060/2009 and (EU) No. 1095/2010

⁶ Pursuant to the Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003):

- Medium-sized enterprise employs fewer than 250 persons, has an annual turnover not exceeding EUR 50 million or annual balance sheet total not exceeding EUR 43 million;
- Small enterprise employs fewer than 50 persons and has annual turnover and/or annual balance sheet total not exceeding EUR 10 million;
- Micro enterprise employs fewer than 10 persons and has annual turnover and/or annual balance sheet total not exceeding EUR 2 million.

⁷ 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 (OJ L 169, 1.7.2015):

- „small mid-cap companies” means entities having up to 499 employees that are not SMEs;
- „mid-cap companies” means entities having up to 3,000 employees that are not SMEs or small mid-cap companies.

⁸ Invest Europe, Research methodology and definitions, available [here](#).

⁹ The list of ineligible activities is published in the General Eligibility Criteria for Equity and Quasi-Equity Funding Instruments, available [here](#).

	ii. That are „undertakings in difficulty“ pursuant to the provisions of Article 2(18) of the Commission Regulation (EU) No. 651/2014 ¹⁰ of 17 June 2014, and/or iii. The activity of which, at the moment of the AIF's investment, constitutes a violation of restrictive measures (<i>Restricted Person</i>).
5. Visibility	In communication about the investment, Financial Intermediaries and Final Beneficiaries will be required to prominently display the visibility sign of the source of financing. During negotiations with Financial Intermediaries, the form and manner of displaying the source of financing will be determined. The Financial Intermediary will be obliged to embed in the contractual documentation with Final Beneficiaries the provisions relating to visibility.
6. Purpose and Manner of Investment	Equity and quasi-equity investments in Final Beneficiaries through AIFs managed by the Financial Intermediary (including structures that include holding companies managed by the Financial Intermediary).
7. Fees and Expenses	Investor's commitment to the AIF should include the amount for the investments in Final Beneficiaries, as well as the amount covering management costs and other costs associated with AIF.
8. Implementation Period	The Programme Implementation Period is until the funds have been exhausted.
9. Miscellaneous	The contractual documentation on the basis of which HBOR will commit to the AIF will include provisions on: <ul style="list-style-type: none"> • HBOR's rights to inspect AIF documentation necessary for monitoring and reviewing the use of HBOR funds; • the obligation to keep the records related to the use of HBOR funds; • requirements related to Visibility; • the possibility of transferring HBOR's share in AIF to other persons upon HBOR's request.
10. Related documentation / Enclosures	General Eligibility Criteria for Equity and Quasi-Equity Funding Instruments, available here . Policy for Investments in Equity and Quasi-Equity, available here .

2. SUBMISSION OF INVESTMENT OPPORTUNITY

Applicants must submit their Investment Opportunity to the e-mail address: equity@hbor.hr.

Investment Opportunity can be submitted either in Croatian or in English.

Applicants must complete and sign the Statement of Applicant (Schedule 1) confirming that they do not fulfil any of the mentioned exclusion criteria.

The Applicant is responsible for preparing and submitting a presentation of its Investment Opportunity in a manner it deems most effective. While the structure and format of the presentation are not strictly defined, the content must include key information on the market context, investment strategy, the management company and other relevant aspects. For detailed guidance on the expected content, Applicants should refer to Schedule 2 of this Call.

Upon receipt of the Investment Opportunity, HBOR will confirm the receipt and conduct an initial review to verify whether the submission contains all the necessary information required for the preliminary assessment. If the documentation is complete, further steps of the selection process will be continued.

¹⁰ Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187 of 26 June 2014), or in accordance with the provisions of the regulation governing this issue, which will be in force at the time of contracting of HBOR's commitment of payment.

3. SELECTION PROCESS

Selection process of Financial Intermediary is implemented through the following steps:

Step 1. Preliminary assessment

Preliminary assessment includes an evaluation of the content provided in the submitted Investment Opportunity.

Investment Opportunities that contain all elements prescribed by the Call will proceed to the next stage of the selection process.

If it is determined that certain information in an individual Investment Opportunity is unclear or that additional explanations are required, HBOR will request the necessary clarifications, specifying a deadline for their submission.

Step 2. Management Team Assessment

If it is determined that the Investment Opportunity meets the criteria of this Call, the Programme and the Investment Policy, a meeting with the Management Team will be scheduled to assess the Management Team. In exceptional cases, the meeting may be conducted via videoconference.

During the meeting, the Management Team will present the submitted Investment Opportunity, and HBOR will provide an overview of the next steps in the selection process. The purpose of the meeting is to become acquainted with the Management Team, including their experience, qualifications, internal dynamics decision-making methods, and the key parameters of the proposed AIF.

Following the meeting, HBOR will continue the selection process with the Management Teams that have been positively evaluated. Management Teams that are not selected to proceed will be formally notified. However, HBOR reserves the right to resume the selection process with these teams within the next 12 months, if circumstances require (e.g., withdrawal of a previously selected Management Team or similar situations).

Step 3. Due diligence

For the purpose of due diligence, potential Management Teams will be provided with a questionnaire along with a list of required documents to be submitted. Upon receipt, the documentation is reviewed and analysed internally. Following the completion of this analysis, a visit to the Management Team's premises will be arranged. If the Management Team is still in the process of establishment and does not yet have official premises, the meeting may be held at another location.

Key areas are analysed during the due diligence process: investment strategy, integrity and reputation of the Management Team, their prior experience, market knowledge, fund parameters, etc.

Step 4. Selection

Upon completion of the due diligence process, Management Teams will be formally notified of the outcome. Those selected will proceed to the next stage of the selection process, i.e. legal negotiations.

This is an unofficial translation of the original text in Croatian. In case of discrepancies, the Croatian version will prevail.