



Call for proposals VP/2018/017

"Transaction cost support for social enterprise finance"

FREQUENTLY ASKED QUESTIONS

1. For who is this programme? Is it for non-governmental organizations? Or is it for non-governmental organizations that are or will be an investment fund?

Please check the type of entities that can apply to this call under the Eligibility criteria section 6.1.

As you will see the type of entities eligible are:

1. “ An investment fund, a Fund-of-Funds, a special purpose vehicle, in any form, established or to be established

In this case, there are 2 options:

- Either the legal entity of the investment fund, the Fund-of-Funds or the special purpose vehicle can be an applicant.
 - Or the (future) manager of the investment fund, of the Fund-of-Funds or the special purpose vehicle (established or to be established) can be applicant.
2. For the avoidance of doubt, the (future) manager must already be an established and registered legal entity at the time of the submission of the application.
3. A (co-) investment scheme in any form (including managed accounts and other types of contractual arrangements) established or to be established.
4. In this case, either the (future) manager of the (co-) investment scheme / the managed accounts must be applicant or the parties of the (future) contractual arrangements must be applicants (in a consortium).
5. The (future) manager or the parties (applicant or lead applicant and co-applicants) to the (future) grant agreement arrangements must already be established and registered legal entities at the time of the submission of the application.”

Therefore, any organisation that complies with the above copied criteria reported in Section 6.1 of the call text, can apply.

2. Is the purpose of the programme the creation of a venture capital to support social enterprise?

Please check sections 2.1 and 2.2, which define the objectives of the call and describe the activities to be funded. In line with these latter sections, the applicant is expected to undertake activities related to the preparation, conclusion and follow-up of long-term risk capital investments into social enterprises.

3. The documents mention the instrument is aimed at financial intermediaries that undertake long-term risk capital investments of less than EUR 500 000 in the form of equity, quasi-equity or hybrid financing to social enterprises in the EaSI participating countries. Is this a hard cap or applied on a per-deal basis?

Please refer to section 2.2 Description of the activities to be funded/ Type of actions: “The long term risk capital investments may take the form of equity, quasi-equity or hybrid financing (see Annex II for a glossary) of a maximum of EUR 500 000 per investment. If a second investment in a social enterprise takes place within less than 18 months from the first investment and this raises the cumulative amount invested above the EUR 500 000 limit, the activities related to the first investment become ineligible for grant support, and any related payments already made by the Commission may be subject to recovery.”

4. Can a fund that will make some investments below 500K and others above this amount apply to the instrument?

There is no requirement in the call preventing funds that also make investments above EUR 500 000 from applying. However, in order to be eligible, the activities proposed for financing will have to be linked exclusively to investments below EUR 500 000.

5. It looks like the call is designed to support the transaction costs of actual equity deals, not setting up the fund itself – can you confirm if expenses from fundraising are not applicable?

Indeed, the call is designed to support transaction costs of actual equity deals. In line with this, the expected outputs/results of the actions are “an increased number of risk-capital investments of below EUR 500 000 in social enterprises”. However, in line with section 2.2 of the call, the activities which can be financed by the grant include also the preparation of investments into social enterprises. Therefore, if the fundraising is aimed at preparing the investments (e.g. by bringing in co-investors), then expenses related to the fundraising could be eligible.

6. We would like to understand how time-intensive the reporting for the instrument will be. Will we simply have to present valid expenses whenever a deal is made in order to recover the transaction cost? Or will there be a team responsible for assessing if every single deal is valid for the reimbursement through this instrument, generating requests for information and ultimately

absorbing a meaningful portion of time from someone in the fund's team for every deal?

As foreseen in section 7 of the financial guidelines, the payment of the grant for actions between 12 and 24 months is split in two pre-financing instalments and a final payment. The second pre-financing and the final payment must be accompanied respectively by:

- A **progress report** on the implementation of the action;
- A **Final Technical Implementation Report** and a final financial statement.

Based on the information provided by the Beneficiary, the Commission will assess if the expected results of the action have been achieved, i.e. whether investments in connection to which costs are claimed by the beneficiary are in line with the conditions described in section 2.2 of the call for proposals.

Therefore, reporting is not required every time a new deal is made.

7. Would it be possible for an organisation which is already managing a grant of a precedent call of the same programme (EaSI Programme - Transaction cost support for social enterprise finance) and still active to submit another one ? is there any restriction on this?

A beneficiary can participate in more than one project only if the specific objectives and scopes of those projects are different and related activities clearly separated.

Grants are subject to the principle of no double funding. Each action may give rise to the award of only one grant, there can be no duplicate European Union funding of the same expenditure.

8. Will a proposal in the reserve list for the previous call VP/2017/013 automatically be selected for funding under this new call for proposals?

Applications in the reserve list for other calls for proposals will not be considered for funding. Only proposals submitted under the call VP/2018/017 will be considered for funding.

9. Could you provide me more information as regards the calls for proposals of the EaSI programme?

Information on the 2019 Annual Programme and the calls for proposals funded under the EaSI Programme can be found in the following link:

<https://ec.europa.eu/social/main.jsp?catId=1081&langId=en#navItem-2>

10. Should all the applicants in a consortium satisfy this criteria: to be an investment fund, a Fund-of-Funds, a special purpose vehicle, in any form, established or to be established or can the applicants complement each other in this manner?

Both the lead applicant and each co-applicant and affiliated entity must comply with the eligibility criteria set out in section 6.1., letter b) of the call document.

11. In a consortium, does each applicant have to be engaged already in investments / investment projects in social enterprises or other forms of social impact investing or impact first investing? Or, for example, if there is only one applicant in a consortium, who has 5 impact investments; will that be suitable to be accepted? If it is suitable, should the applicant who satisfies this criterion be the lead applicant of the consortium?

In line with section 8.2 of the call for proposals, the list of investments should include “at least 5 investments per application (i.e. applicant or consortium (lead applicant and co-applicants(s) together))”. Therefore, in an application by a consortium, the criterion can be fulfilled either by one single applicant (either the lead applicant or one of the co-applicants) who can provide a list of at least 5 investments, or by two or more applicants who together can provide a list of at least 5 investments.

12. We understand that for newly created entities, there is no necessity to submit a list of investments. Is this right?

What are the “competences” of the staff members to the newly created entity: are they the same with the “minimum CV requirements”?

Newly created entities are not requested to provide a list of investments, as they most likely are not in a position to have made any investments yet. However, in line with section 8.2 of the call for proposals, they should submit a “description of the competences transferred from the staff members to the newly-created entity and the mechanism through which this is done”.

In this case, the “competences” of staff members refer to the professional competences of the staff members of the newly created entity (already hired or listed in a recruitment plan). The applicant should be able to provide evidence that, although the newly-created entity has not made any investments yet, its staff members/future staff members have had previous professional experience in managing at least 5 investments/investment projects in social enterprises or other forms of social impact investing or impact first investing in the last three years”.

The other minimum requirements listed in section 8.2 also apply.

13. What is the minimum/maximum total investment amount to be made in social enterprises by us? What is the minimum amount of co-financing to be paid by us?

The objective of the call is to support the transaction costs linked to long-term risk capital investments in ticket sizes of less than EUR 500 000. No minimum threshold is set for the investments. However, in the assessment of the award criteria, attention will be paid to aspects such as sustainability and cost-effectiveness of the proposal, including whether

the cost of the action is proportionate to the overall size of the financial instrument dedicated to investments in social enterprises For this purpose, please refer also to section 2.2 of the call text and in particular to the following paragraph: "The total transaction cost should not exceed 10% of the total expected amount of investments in social enterprises".

As specified in section 4.2 of the call document, the EC contribution may not exceed 80% of the total eligible costs of the action. The applicants must guarantee their co-financing of the remaining amount, i.e. of minimum 20%.

14. Is that possible to find a list of potential bidders for the call, in order to contact for building a consortium?

The call is currently not providing support for this point. We will get back to you shortly concerning this question.

15. Could you please be more clear what it is meant by a “(co-) investment scheme in any form (including managed accounts and other types of contractual arrangements) established or to be established.”

Could you please specify this if it is a legal structure or it can it be formed in any form?

A co-investment scheme would entail any vehicle where at least two types of funding are combined on a pari-passu basis (i.e. with the same terms and conditions for all investors). An investment scheme would include also schemes with a single impact investor, or multiple impact investors at different risk/return levels providing funding to one or more social enterprises.

The call does not impose that the co-investment scheme itself should have a legal structure. However, in line with section 6, letter b), the (future) manager of the scheme must be a registered legal entity at the time of the submission of the application.

16. Also, for the part “managed accounts and other types of contractual arrangements”, in Turkey, there is no such terminology. And what should be the extent of the contractual arrangements, for example, should it be a kind of LPA (Limited Partnership Agreement)?

In the case of “managed accounts”, the various providers of funding decide together on an investment strategy and entrust their funds directly with an entrusted entity / manager. The entrusted entity then deploys the funds in line with the investment strategy. The entrusted entity does not necessarily need to provide financing along the funds made available to it nor does it need to share into the risk. Similar to “co-investment schemes”, there is no requirement, under this call, to create a new legal entity or vehicle.

As for “other contractual arrangements”, the call does not impose any particular type of arrangements or legal forms.

17. Can the grant cover other costs (e.g. purchasing equipment, land or premises) made from the site of the social enterprise?

Please check section 2.2 of the call document, which describes the activities that can be funded under this call. In line with this section, the beneficiary of the grant is expected to undertake activities that are related to the preparation, conclusion and follow-up of long-term risk capital investments into social enterprises.

Only costs related to these activities and incurred by the beneficiary indicated in the grant agreement can be covered by the grant. Please also check section 4.2. of the Financial Guidelines published with the call text for the general eligibility of costs.

18. What is the interest rate of the loan? As far as we understand, this call loans to promising projects of social companies.

This transaction cost support scheme takes the form of a grant. Grants are direct financial contributions from the European Union budget awarded by way of a donation to third-party beneficiaries engaged in activities that serve Union policies. Being a donation, no interest rate is applicable to the grant.

Under this call for proposals, the grant is aimed at financial intermediaries that undertake long-term risk investments in ticket sizes of less than 500 000 in the form of equity, quasi-equity or hybrid financing to social enterprises.

19. We would like to know if the following company can be a mono-beneficiary applicant: a cooperative society in public limited company form, a mutual guarantee fund created to help social enterprises obtain short, medium or long-term financing to develop their economic and business activities, granting guarantees for loans, not lending funds directly, providing consulting services (audits, business planning, ...).

As indicated in section 13 of the call document, the Commission will not give prior opinion on the eligibility of applicants. This being said, the call is designed to support transaction costs of long-term risk capital investments in the form of equity, quasi-equity or hybrid financing. For the meaning of equity, quasi-equity or hybrid financing for the purpose of this call, please also see the glossary in the Annex II.

20. Is it possible to submit some of the necessary forms in Greek or you need everything to be translated in one formal language (English)?

Administrative documents and free format text descriptions can be submitted in any of the official languages of the EU. As per section 14.2 of the call document, some information must however be supplied using the templates available in the SWIM application (as for example the letter of commitment). The SWIM application indicates in each section where SWIM templates should be used as well as which and where free format documents can be uploaded electronically.

21. Is it possible to apply with a consortium of several risk capital funds for social enterprises, which are all too small to invest over 3M€ in two year time, and thus would need to apply for less than the indicative minimum amount of 300k€?

As per section 6.1.c) of the call document, the action may involve consortia. Each applicant must comply with the eligibility, exclusion and selection criteria set out in call document.

22. How many participants must the projects have? Is there a minimum or maximum number of participants?

Proposals can be submitted by only one applicant or by a consortium. There is no minimum or maximum number of participants.

23. Considering that the previous call specifically included “foundation” as type of entity (point 6.1.b.3) while this has been delated in the present call, is a foundation still eligible or not?

As indicated in section 13 of the call document, the Commission will not give prior opinion on the eligibility of applicants. This being said, foundations can apply for this call if they comply with the eligibility criteria set out in section 6.1 of the call documents.

24. Can the co-applicant be an organization not involved in investing activity or in supporting social enterprises but with experience as advisor of funds investing in social housing?

Each co-applicant must comply with all eligibility, exclusion and selection criteria defined in the call documents. As regards the operational capacity, this will be assessed at the level of the consortium for the list of investments and at the level of each single co-applicant for the minimum CV requirements for the members of the team.

25. Can we expect more deadlines for the call VP/2018/017 or the publication of a similar call in 2019?

The submission deadline of 21/03/2019 is the only deadline foreseen under this call. No similar calls will be published in 2019.

26. What is the appropriate template for the declaration on honor?

The declaration on honour must be submitted using the template available in the SWIM application. The template for the declaration on honour for the applicant and the co-applicants can be found respectively under section A.1.17 and B.1.17 of the SWIM application.

27. In the section of Description of the action and work plan can you explain the following question?

Please present an overview of the type and amounts of the transaction costs for a typical investment and for the (planned) portfolio, i.e. costs linked to the preparation, conclusion and management of investments over time.

The applicants are invited to present the details of the types and amounts of the transaction costs related to the planned portfolio of investments. This may include a mix of activities as indicated in section 2.2 of the call documents.

28. Would a crowd equity platform dedicated to the financing of social businesses be eligible for funding?

As indicated in section 13 of the call document, the Commission will not give prior opinion on the eligibility of applicants. This being said, please note that, in line with section 6.1, letter b) of the call, the applicant can also be a co-investment scheme in any form, including in the form of a crowd-equity platform. In this case the applicant must be the manager of the co-investment scheme and this should be an established and registered entity at the time of submission of the application.

29. “If a second investment in a social enterprise takes place within less than 18 months from the first investment and this raises the cumulative amount invested above € 500.000 limit, the activities related to the first investment become ineligible for grant support [...]”

If the first investment for a social company was decided 20 months ago (total of €750K) But the payment was made in 3 tranches and the third tranche was paid in the middle of 2018 (€250k), and the second investment (€500k) will be made in 2nd quarter of 2019, are we eligible? As the first investment was decided more than two years ago, but it was split in three tranches.

In line with section 2.2. of the call document, the activities that may be funded under this call are the activities related to the preparation, conclusion and follow up of long term risk capital in ticket sizes of less than EUR 500 000 to social enterprises. The EU grant is not meant to cover the actual investments into social enterprises. Moreover, as specified in section 3.1.1, the activities that are eligible for funding must be incurred during the duration of the action which will indicated in the grant agreement. In any case no expenditure can be incurred before the date of submission of the application.

30. “The minimum CV requirements are the following: - The project manager must have been engaged in social enterprise finance or social impact finance for at least three years. - The other members of the team must have been engaged in social enterprise finance or social impact finance for at least one year.” What do you mean by “the other members of the team”? All the team or only the decision makers?

As specified in section 8.2, the operational capacity of the applicant must be confirmed by the submission of a list of investments in social enterprises or other forms of social impact investing or impact first investing in the last three years and of the CVs of the

project manager of the applicant or of the consortium and of the persons who will perform who will perform the main tasks of the proposed action.

31. The documents mention the grant is aimed at financial intermediaries that undertake long-term risk capital investments. Should applicants be certified or authorized as financial intermediaries by their national authorities?

The applicants must be financial intermediaries established according to the national legislation.

32. Can long-term loans (between 10 and 20 years) granted at market interest rates fall within the scope of this call for proposals?

As indicated in section 13 of the call document the Commission will not give prior opinion on the eligibility of an action or specific activities. However, in line with section 2.2., the long term risk capital investments may take the form of equity, quasi-equity or hybrid financing. For the purpose of this call, the terms equity, quasi-equity or hybrid financing will have the meaning described in the glossary of the Annex II of the call document. Investments meeting these definitions fall under the scope of this call for proposals.

33. To qualify as "hybrid financing", as mentioned in Annex II of the call for proposal, an instrument must combine two of the three financing instruments: grant, debt and equity. If an instrument does grant and debt, can the grant be given in kind?

We define hybrid financing in the Glossary of the Annex II as "an instrument which combines the characteristics/features of at least two of the three financing instruments, grant, debt, and equity." In a more general sense, a financing instrument structures future cash flows and can be adapted flexibly to specific circumstances. The structure of the financing instrument itself should thus reflect these characteristics/features and not be a combination of two separate financial and non-financial instruments. Some example of hybrid financial instruments are mezzanines, convertible loans/debts and recoverable grants.

34. During the interim and final reports , investments into "social enterprises" will be reported. Who determines the "investee" company is in compliance with EASI "Social Enterprise" definition? Is a compliance/impact reporting made by the impact investing fund manager is satisfactory (like in ESG reportings) or other forms of certifications or conformance reports will be required?

The Commission will assess at the level of the progress and final report whether the investee comply with the conditions indicated in section 2.2. of the call document and on the basis of the supporting documents that will be submitted. In case of doubt, the Commission may require additional documents.

35. In an impact investing fund which balances financial return and social impact at equal importance; a portfolio of businesses ranging from high impact to low impact is constructed. Will the application be accepted as eligible, as long as the transaction costs associated with "high social impact" investments (ie by definition "social enterprises") in such portfolio be reflected to the grant funding?

The transaction costs related to risk investments below EUR 500 000 in social enterprises must be identifiable and verifiable. There must be a clear distinction between these costs and the transaction costs linked to other type of investments.

36. Is there an obligation to continue to the impact reporting after submitting the final report? If so how long? In case the company transforms it's business during or after our investment to a low or none impact business (ie changes it's state from "social enterprise"), what are our obligations towards the grant we used in transactional expenses?

There will be no obligation to continue the impact reporting after the submission of the final report. If the change of the business to a low or none impact is outside the control of the beneficiary, there will be no consequences for the grant. Please note, however, that in line with section 9 of the call document, at the stage of the evaluation the proposal will be assessed against its potential development and sustainability and the potential of the proposed model to develop and to reach sustainability will be taken into account.

37. As stated in the call, “the grant is aimed at financial intermediaries that undertake long-term risk capital investments in ticket sizes of less than EUR 500 000”. What should this 500K€ ticket include: only the investment of the selected beneficiary of this call or all the investments of the funding round (selected beneficiary + co-investors)?

In line with section 2.1. of the call document, the grant should serve to lower the transactions costs for small investment tickets and thus help overcome a market failure in the social enterprise finance market. Therefore, the investments of the funding round should be below 500 000.

38. Regarding hybrid financing, should the selected beneficiary be the only one combining characteristics/features of at least two of the three financing instruments, grant, debt, and equity? Or should this form of financing be a mix from the selected beneficiary of this call and from co-investors (e.g. equity from the selected beneficiary of this call and debt from a co-investor)?

Section 6 of the call document contains a list of the entities eligible for this call. Both options would be feasible but correspond to different types of entities and contractual requirements. As indicated in section 13 of the call document, the Commission will not give prior opinion on the eligibility of applicants.

39. Can we include 2 participants to the workshops in the budget of the proposal?

More than one participant to the workshops can be included in the budget.

40. Can capacity building (training...) and dissemination be considered as eligible activities?

In line with section 2.2. of the call document, the activities which can be financed by the grant include the preparation of investments into social enterprises. Therefore, if the capacity building and the dissemination activities are aimed at preparing the investments, then they could be eligible.

41. Would it be possible to have the names of the previous grantees of the scheme in 2018?

Information on the awarded grants (including the awarded grants for the previous call for proposals VP/2017/013) can be found under the following link:

<https://ec.europa.eu/social/main.jsp?catId=632&langId=en>

42. How many grantees do you plan to award this year?

The applications will be assessed against the award criteria indicated in section 9 of the call document and ranked according to the total score awarded. The proposals with the highest evaluation total score will be awarded until the maximum budget earmarked for the co-financing of this call has been reached. This means that the number of proposals that will be awarded will depend on the size of the EU grant requested for each the single project.

43. Can a network of independent associations be considered as a sole beneficiary?

As indicated in section 13 of the call document, the Commission will not give prior opinion on the eligibility of applicants. Having said this, a sole applicant or a sole beneficiary is a consortium formed by several entities constituting **one single entity**. It may be established specifically for the purpose of the action before submitting the proposal or at any time between the submission and the signature of the grant agreement. All the entities forming the sole beneficiary must satisfy the criteria for being awarded the grant: they must comply with the eligibility, non-exclusion criteria and also with the selection criteria.

If a beneficiary is legally defined as a e.g. network, federation, association, the entities having a link of membership with the beneficiary can be considered as affiliated entities to the beneficiary (provided that this link is neither limited to the action nor established for the sole purpose of its implementation). The affiliated entities must satisfy the same eligibility criteria as the beneficiary. In case of award, the beneficiary will be the only one signing the grant agreement and the affiliated entities will be indicated in the agreement so that their cost can be considered eligible.

44. Is it possible to apply for the same group but for two different holdings with two different purposes?

Yes, it is possible to submit an application for two different projects. However, it must be ensured that the principle of double financing is respected and that the tasks carried out in each application are not the same.

**45. Est-il possible de répondre à l'appel en français ?
Is it possible to submit the proposal in French?**

Comme indiqué à la section 5 du document d'appel, les propositions peuvent être soumises dans l'une des langues officielles de l'UE. Dans ce cas, les candidatures doivent être accompagnées d'un résumé en anglais (voir section 14, liste de contrôle).

As indicated in section 5 of the call document, the proposals may be submitted in any of the official languages of the EU. In this case, applications should be accompanied by an executive summary in English (see section 14, checklist).

46. What is the impact on the monitoring activities of the entry into force of the Data Protection Regulations?

The Commission, with the support of an external contractor, will monitor regularly the EaSI Programme. Therefore, beneficiaries/contractors will have to transmit qualitative and quantitative monitoring data on the results of the activities. These will include the extent to which the principles of equality between women and men has been applied, as well as how anti-discrimination considerations, including accessibility issues, have been addressed through the activities. Related templates are attached or will be provided. For events, it is important to get from participants their specific consent by a statement or by a clear affirmative action for processing and transferring their personal data including to an external contractor responsible for the monitoring of the EaSI programme. Beneficiaries/contractors should therefore inform all participants via a Privacy Statement that is not only published online, but is also provided individually to each participant (e.g. as part of the email where the beneficiary/contractor first contacts the individual concerned) that the Commission/external contractor would be processing their personal data. Beneficiaries/contractors shall be able to demonstrate that consent was obtained subject to conditions of Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 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, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (i.e. keep a record that shows how the consent was obtained and whether it was valid) and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data."

47. Where can we find the Privacy Statement template?

To complement the previous reply on Data Protection, please note that the model privacy statement is available on the Europa website of the EaSI programme:

<https://ec.europa.eu/social/main.jsp?catId=1081&langId=en&furtherCalls=yes&callType=2>.

48. Is that possible to find a list of potential bidders for the call, in order to contact for building a consortium?

As a follow up to question 14, the Commission services has decided not to provide this support under the present call for proposals.