

22 July 2013

CALL FOR EXPRESSIONS OF INTEREST

Investment Management Services

International Fund for Russian SMEs

(“IFORS” or the “Fund”)

July 2013

CALL FOR EXPRESSIONS OF INTEREST (“EOI”)

Provision of *investment management services* for the International Fund for Russian SMEs (“IFORS” or the “Fund”)

1. Background

According to The Memorandum of Understanding, signed on 16th November 2012 by Vnesheconombank and KfW, in the presence of Vladimir Putin, President of Russian Federation and Angela Merkel, the Federal Chancellor of Germany, Vnesheconombank and KfW agreed to cooperate for the purpose of establishing a joint Fund to enhance financial access and leverage of SME business in Russia (IFORS). The purpose of the Fund is to attract capital to sustainably foster and develop SME business in Russia.

A research conducted in December 2011 - March 2012 on the current situation of the Russian SME Sector and its financing needs and capabilities revealed a considerable potential for expanding SME long-term financing programs, stemming in particular from the following factors:

- Russia is far behind the EU and Asia-Pacific countries both in terms of the share of SMEs in the economy, and in terms of the amount of loans granted to SMEs by commercial banks;
- while bank lending remains the key source of SME investment financing, the access to investment project financing is limited, especially for manufacturing SMEs, due to a number of reasons to include, in particular: a long manufacturing cycle and a gap between investment requirements for the production base modernisation and collateral available for investment loans;
- the sector of dynamically growing medium-sized enterprises is not covered by the existing state support programs, and is therefore facing the same problems of fund raising as small companies;
- Russian banks suffer from insufficient long-term financing, which could be channeled to satisfy manufacturing SMEs’ demand for investment resources.

The analysis shows that Russian commercial banks still have a considerable requirement for long-term resources that could be used to support SMEs including medium-sized enterprises.

To ensure an efficient tender process and the due consideration of interests, Vnesheconombank and KfW have agreed to establish the Joint Preparatory Committee (“JPC”).

The purpose of this tender is to select an Investment Manager for IFORS, who will ensure that the Fund will be professionally managed and will function in a market-oriented way.

2. Appointment of Investment Manager

In order to ensure that IFORS is a professionally managed and market-oriented financing fund, the Fund has decided that its investment management should be entrusted to an experienced Investment Manager.

The Investment Manager will provide full investment management services for IFORS:

- Under the oversight of the Investment Committee and Board of Directors, and
- Within the framework of an IFORS investment management agreement.

3. Call for Expressions of Interest

The International Fund for Russian SMEs hereby invites qualified investment management firms to submit ***an Expression of Interest for investment management services***. These services will be funded directly from the Fund.

The purpose of this Call for Expressions of Interest is to identify eligible candidates for the selection of the Fund's Investment Manager. The full tender procedure for the selection of the Investment Manager of the Fund will be sent to the resulting eligible candidates. This is expected to take place in August 2013.

These candidates should be able to show evidence that their services will be provided by a team comprised of core experts and of other professional and administrative support staff.

Investment management firms are free to associate / form a consortium with other firms and consultants to ensure that the required know-how, technical expertise and experience are available to them. The Candidates selected through this Call for Expressions of Interest will also have the freedom to form a consortium, as consortium leader, during the full tender procedure.

The term "Candidate(s)" shall, throughout this document, refer to individual candidates or, in the case of a consortium, to the leading firm of such consortium, in conjunction with the consortium.

Sections 4 and 5 provide a description of the scope of services the Investment Manager is expected to provide, as well as the eligibility criteria the Candidate must fulfil in order to be considered as a tenderer. The Synopsis attached as Annex 1 provides further information about the Fund.

4. Scope of Services

The selected Investment Manager will be required to perform full investment management services for the Fund under the oversight of the IFORS Board of Directors and Investment Committee, and in line with the Fund's investment guidelines. Services will include, but will not be limited to:

- Develop and manage the Fund to full professional standards, as a sustainable fund;
- Ensure the alignment with the Alternative Investment Fund Management Directive (AIFMD) and any respective national regulation;
- Elaborate a set of internal documents to govern the Fund's investment process (including investments procedure, control and monitoring process, rules to regulate temporarily idle funds, etc.);
- Develop regular updates to the business plan (including market, financial, strategic and organisational aspects) and budget to be presented to the Board annually;
- Establish and develop the Fund's presence in Russia;
- Provide the Fund's independent risk management function in line with Luxembourg regulatory requirements;
- Identify, assess, negotiate and structure opportunities for investments in suitable Eligible Partner Institutions;
- Present all potential investments to the Fund's Investment Committee or Board;
- Review, monitor and supervise all outstanding investments and manage client relationships, as well as the day-to-day management of the portfolio, including follow-up of events of default of clients;
- Undertake best efforts at recovery of the Fund's assets in the event of client default;
- Provide transaction management services; i.e. calculation of interest and principal payments from Eligible Partner Institutions, notice of such payments to the Eligible Partner Institutions, verification of payments from Eligible Partner Institutions, follow-up on missing payments, close communication with the Eligible Partner Institutions and the Depositary;
- Reduce risk by appropriate selection and diversification of investments;
- Provide comprehensive cash management services to the Fund, by instructing the Custodian (manage the flow of funds of the Fund, payment of all the Fund's invoices through the Depositary's electronic banking platform, placing the Fund's excess liquidity in money market instruments or time deposits, entering into hedging instruments on behalf of the Fund, etc.);

- Manage and monitor all aspects of the subsidiaries of the Fund, including all withholding tax aspects, in agreement with the Fund;
- Achieve annual performance targets upon agreement with the Board of the Fund;
- Inform the Investment Committee and/or the Board of any event/development which may require their involvement or early awareness;
- Identify and secure new investors in IFORS;
- Interact with other IFORS service-providers (Custodian and Administration Agent, Lawyers, Auditors), as well as with the relevant regulatory authorities;
- Monitor the services of the Custodian and of the Administrative Agent (review and validation of the Net Asset Value calculations of the Fund, review and validation of the Fund's financial statements, monitor adherence of the Depositary and of the Administrative Agent in complying with the Fund's waterfalls, etc.);
- Manage the Fund's public relations and external communications; and ensure to the extent possible that donor visibility is reflected in the Fund's material;
- Provide and manage personnel dedicated to the Fund;
- Prepare and present to the Board of Directors, to the Investment Committee and/or to the shareholders of the Fund monthly, quarterly, annual and other reports with contents determined by the Board and the Investment Committee;
- Monitor changes to the Issue Document and to the Articles of the Fund in coordination with the other service providers of the Fund;
- Provide corporate secretary services (preparation of Board meetings, drafting minutes and circular resolutions, etc.) to assist and support the Board of Directors.

5. Content of Application

Applications shall be submitted in English and shall be structured as follows:

i) ***Letter of expression of interest:***

The name and address of the applicant firm, contact person and details (fax, e-mail, and telephone) should be included in the letter. In the case of a consortium, name, address and contact details for each member of the consortium. In the event that the expression of interest is presented by a consortium, the consortium should identify a primary contact within the consortium.

ii) ***Brief presentation of the firm(s) (no more than 10 pages):***

A profile of applicant firm (and of all consortium members in the case of a consortium). This includes details of the resources of the firm and a clear description of the legal form, ownership and, where applicable, role/main tasks in the consortium. Any presentation that is greater than 10 pages will automatically be rejected without review by the JPC.

iii) ***Affirmations and Declarations:***

The following affirmations and declarations shall be provided by the Candidates (in case of a bidding consortium these shall be provided for each member of the consortium):

- a) *Confirmation of submission of proposal:* Declaration to the effect that a proposal will be tendered if the firm/consortium is selected as eligible candidate.
- b) *Presentation of affiliations:* disclosure of affiliation (and nature of affiliation) with other enterprises in case where these could cause a conflict of interest with regard to the services to be rendered.
- c) *Consortium declaration:* in the case of a consortium, indicate through a binding declaration the firm that will lead the consortium and what form the consortium will take (joint venture, sub-contract, other). Letters whereby each participating firms confirms its participation in the consortium and its recognition of the consortium leader must be included (in case of local partners a fax copy of such letter of intent is sufficient).
- d) *Declaration with regard to respecting the highest ethical norms in the implementation of the program (template in Annex 2):* Applicants should be aware that fraud or corruption will lead to immediate disqualification and will be subject to further legal investigation. A duly signed declaration must be submitted as outlined in this EOI.
- e) *Financial capacity:* This includes (for each member of the consortium in case of consortium):
 - a. Balance sheet and profit & loss statement for the past three years in English or translated into English. If these documents are unavailable, the Candidate may submit *inter alia* details of the firm's financial support.
 - b. Investment Manager: declaration of the total value of assets under current management (**only Candidates with at least USD 4 billion or equivalent under management will be eligible for the full tender process**).

- f) *Declaration of intent that, should the Candidate be selected as Investment Manager of the Fund, it is willing and able to invest up to 1% of the total fund assets and at least USD 500,000 in A or B Shares of the Fund at the same conditions as the Initiators of the Fund (VEB and KfW).*
- g) *Declaration (i) that the Candidate is authorised or registered for the purpose of the management of investment portfolios and subject to prudential supervision by the CSSF or by a supervisory authority recognised by the CSSF or (ii) that the Candidate has already been approved by the CSSF as an investment manager of a regulated Luxembourg investment funds.*
- v) **Overview of investment management experience (no more than 5 pages):**
In addition to the list of project references as per Annex 3 (see 4.vi below), Candidates will need to provide, succinct but clear information on their investment management performance, providing the following information for funds under management:
- Narrative of investment management experience
 - Details of funds under management, including figures on number of funds and volume, focus (target groups, products, investment criteria, regions, domicile), and details of current investors, highlighting those funds which are of particular relevance to this assignment, if any.
 - Experience in development finance, including:
 - a) Experience in handling similar projects (loan programs for SME involving financial sector)
 - b) Other responsible investments, and
 - c) Providing debt financing to financial institutions.
- vi) **List of project references:** summarised in a table (See model in Annex 3) and strictly related to the services envisioned (maximum 10 references).

6. Eligibility Criteria

Candidates should be authorised to act as an investment manager pursuant to section 4.iii.g) and must fulfil the following three pre-conditions:

- **Have funds under management (either as a sole entity or as a group) of no less than USD 4 billion;**
- **Long-term investment grade credit ratings assigned by an international rating agency (Moody's, Standard&Poor's, Fitch Ratings);**
- **Experience in Luxembourg's legal and regulatory environment with regards to the investment funds business.**

In addition, Candidates will be assessed based on the following eligibility criteria:

- Authorised or registered for the purpose of the management of investment portfolios and subject to prudential supervision by the CSSF or by a supervisory authority recognised by the CSSF or already approved by the CSSF as an investment manager of a regulated Luxembourg investment funds
- Experience in development finance, particularly in handling similar projects such as loan programs for SME involving financial sector ;
- Ideally have experience in the Russian financial/banking market, in its Risk Assessment, legal and regulatory environment;
- Experience in cooperation with development institutions;
- A significant track-record in successfully managing structured investment funds involving lending to end borrowers through partner financial institutions in emerging countries, ideally funds domiciled in Luxembourg;
- The ability and willingness to invest **up to 1% of the total fund assets and at least USD 500,000 in A or B Shares of the Fund**, as per Section 5.iii).f) above.
- Demonstrated ability to close first investment deals of the Fund with Eligible Partner Institutions in 2013.

At their own discretion, investment management firms may reinforce their capacity by associating with a more specialised company, such as an investment adviser or a technical assistance consulting firm knowledgeable in SME financing in Russia. In the event that the selected company chooses to associate with a company (as subcontractor or consortium partner) the selected company must assume the lead in terms of tasks and responsibilities.

If there are minor omissions in regard to the EOIs, Candidates will be invited to supply the missing information. Major omissions that could constitute an incomplete application may lead to the exclusion of the Candidate. Applications will also be excluded if the declarations have not been satisfactorily submitted.

Candidates who are not considered to meet the above criteria will be excluded from the evaluation.

7. Pre-selection process / Criteria for selection as eligible candidate:

a) Process:

Based on the applications submitted, a list of selected eligible candidates (“the selection list”) will be drawn within 1 day of the submission deadline by the JPC. Eligible candidates will be informed of the outcome by the JPC 3 days after the deadline. To be

considered for the second round, Candidates need to fulfill the three pre-conditions detailed under Section 6 above.

The eligible firms/consortia would then be asked in the subsequent Tender to submit a detailed technical and financial proposal based on detailed Terms of Reference. The tender process will in principle be initiated in August 2013, with the aim to select the Investment Manager and finalise the contract by October 2013.

Candidates should note that:

- Incomplete or inadequate applications will not be examined.
- Non-conformity with the requirements of this invitation (content and/or structure) or the submission of false or misleading information will lead to disqualification.

Firms which are part of a group which would potentially be interested in receiving funding from the IFORS, either directly or through one of its banking subsidiaries, should carefully assess their participation to this Call for Expressions of Interest and consequently to the following Tender as the board of directors of the IFORS will carefully manage conflicts of interest and may not allow the IFORS to finance financial institutions which are part of the same group as the Investment Manager.

b) Criteria:

Only financially capable Candidates whose financial situation/resources are deemed adequate in relation to the services to be rendered and that have submitted the required financial information (see Section 4.iii).e) above) will be evaluated on the basis of the eligibility criteria as described in section 6.

The JPC is not bound to select any Candidate. The preparation and the submission of the Expression of Interest documents is the responsibility of the applicant and no relief or consideration can be given for errors and omissions.

8. Submission Details

a) Deadline for Submission of EOI: 5 August 2013 at 12:00 pm CET

The electronic version of the applications should be submitted via email at the latest by the Deadline for Submission of the EOI to ifors@innpact.com. **Expressions of Interest received after this deadline will be rejected automatically without being evaluated.**

The Expressions of Interest should not make any reference to a financial proposal.

All costs for any site visit, obtaining information/data and preparation/submission of the expression of interest document, meetings, negotiations, etc. in relation to the expression of interest or the subsequent proposal shall be borne by the Candidates.

b) Validity of the pre-selection list

The Expressions of Interest will remain valid for a duration of 6 months.

c) Contacts during the establishment of the selection list:

From the Deadline for Submission to the establishment of the selection list, no communications will be allowed, with the exception of communications initiated by the Fund, including Inn pact as its consultant.

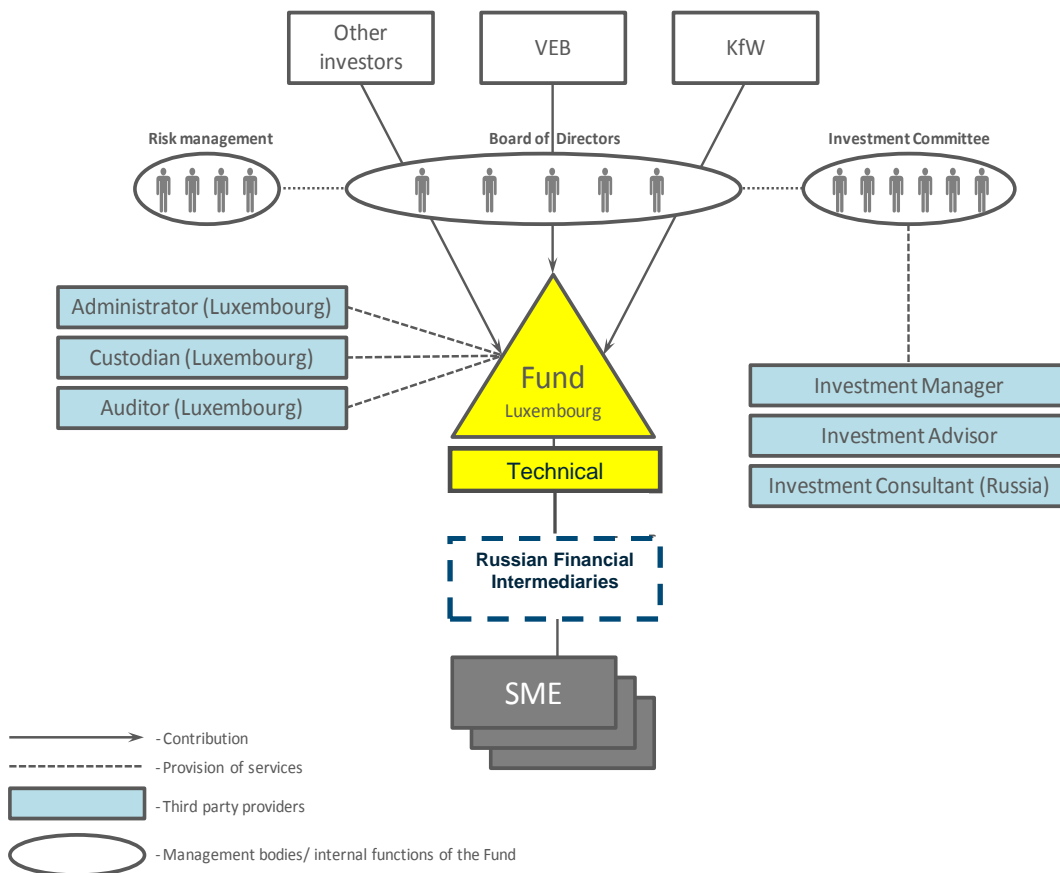
Annex 1 Synopsis of IFORS

International Fund for Russian SMEs (“IFORS”)

Key Parameters

Jurisdiction and form of incorporation	A Luxembourg specialized investment fund ("SICAV SIF") in an umbrella structure. During the first closing it is intended to have just one sub fund in the structure.
Fund’s initiators / Anchor Investors	Vnesheconombank; KfW
Management bodies	Board of Directors; Investment Committee; Risk Management
Investment Manager	Tbd a third party investment management company
Target Region	Russian Federation
Structure	<p>The Fund’s target size is USD 900 million. The expected Fund volume and structure is defined based on the following assumptions:</p> <p><u>Year one:</u> Tranche C: 75 Mio. USD Tranche B: 75 Mio. USD Tranche A: 50 Mio. USD Debt securities: 0</p> <p><u>Year 8:</u> Tranche C: 150 Mio. USD Tranche B: 150 Mio. USD Tranche A: 400 Mio. USD Debt securities: 200 Mio. USD</p>
Eligible Investment Instruments	<p>The Fund shall be formed for the purpose of providing financing on commercial terms to SMEs in the Target Region through commercial banks and at a later stage directly.</p> <ul style="list-style-type: none"> • Predominantly medium to long-term senior loans to eligible partner institutions with focus on SME business. • Subordinated loans to eligible partner institutions with focus on SME business. • Limited portion of senior and mezzanine debt investments to eligible SMEs at a later stage.
Term	The Fund is being set up for the minimum term of 10 years with a

	possibility of extension for 10 years after each 5 years of operation.
Eligible Partner Institutions	Eligible Partner Institution are banks (and leasing companies) locally registered, licensed, or incorporated entities with focus on SME Business.
Eligible Sub-Borrowers	<p>Eligible final beneficiaries are existing SMEs in the Fund Target Region which use the received financing for non-trading purposes and</p> <ul style="list-style-type: none"> • that are organised in the form of an individual entrepreneur or of a legal entity with a private ownership majority, • comply with the Russian and EU legislation requirements to SME
Technical Assistance Facility	It is intended to establish a TA-Facility alongside the Fund to provide technical assistance and advisory, essentially to strengthen the capacity of Partner Institutions.



Annex 2

DECLARATION REGARDING

RESPECTING THE HIGHEST ETHICAL NORMS

“Declaration:

We underscore the importance of a free, fair and competitive procurement process that precludes fraudulent use. In this respect, we have neither offered nor granted, directly or indirectly, any administrative advantages to any public servant or other person in connection with this expression of interest, nor will we offer or grant any such incentives or conditions in the procurement process or, in the event that we are awarded the contract, in the subsequent execution of the contract.

We also underline the importance of adhering to minimum social standards (“Core Labour Standards”) in the implementation of the program. We undertake to comply with the ILO standards (International Labour Organization)

We will inform our staff about their respective obligations and about their obligation to fulfil this Declaration of undertaking and to abide by the regulations of the International Labour Organization (ILO).

(Place)....., this day of
Name of company
Signature(s) “

Annex 3

TABLE

PROJECT REFERENCES

International Fund for Russian SMEs

submitted by (candidate for investment manager):

No.	References (Max 10)									
		Name of firm providing services	Country	Global value USD	Tasks done by firm (%)	Number of experts	Client	Funding	Dates (start – end)	Partners, if any
1	...	...	...	...	...	...	...	...	...
	Project description				Types of services rendered					
2	...	...	...	...	...	...	...	...	...
	Project description				Types of services rendered					