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MOLDOVA ENTREPRENEURSHIP AND ECONOMIC GROWTH FUND (FACEM)

FINANCING PRODUCT

„Fund of Funds through a first-loss tranche”

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Document Information Sheet

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CHAPTER I. GENERAL PROVISIONS AND DEFINITIONS

1. Main objective of the Financing product

(1) The primary objective of the “Fund of Funds through a first-loss tranche” Financing Product (hereinafter referred to as the “Financing Product” or the “Product”) is to attract investment partners capable of mobilising private and institutional capital through the use of a subordinated public contribution provided by the Organization for Entrepreneurship Development (ODA) in the form of a first-loss tranche. The Product shall be implemented through investment partners selected through a public competitive selection process for the purpose of carrying out the following distinct categories of investments:

- a) investments in growth-potential SMEs through growth capital instruments (equity, quasi-equity and equivalent instruments); and
- b) investments in technology start-ups and innovative SMEs at early stages of development through venture capital (venture capital instruments and convertible financing instruments).

(2) ODA shall provide eligible investment partners with financial resources pursuant to first-loss tranche Agreements concluded with such partners, subject to the financing limits established according to the category of investments to be undertaken. Each investment partner may carry out investments exclusively under one of the investment categories referred to in paragraph (1)(a) or paragraph (1)(b).

(3) Implementation of the Product shall pursue a target Internal Rate of Return (IRR) of at least 10% per annum, calculated at the level of the investment portfolio managed by each Investment Partner and based on all actual cash flows arising from investments, including investments generating total or partial losses.

(4) The first-loss tranche mechanism shall apply individually to each eligible investment and shall not alter the methodology for calculating the portfolio-level IRR.

(5) Income and gains generated from investments shall be distributed upon exit. Under the profit and income distribution mechanism, ODA shall participate in distributions until a portfolio IRR of 10% is achieved, in proportion to ODA’s contribution. Any return exceeding the 10% IRR threshold shall be distributed among investors and the investment partner in proportion to their respective participations or in accordance with the allocation mechanism established under the relevant contractual arrangements.

2. Specific objectives of the Financing Product. State aid scheme qualification

(1) The Financing Product pursues the following specific objectives:

- a) **Improving access to finance for SMEs and start-ups** through diversification of long-term financing instruments, including growth capital for growth-potential SMEs and venture capital for technology start-ups and innovative SMEs;

- b) **Mobilizing private and institutional capital** through the use of public resources as a first-loss tranche in order to reduce investment risk and maximize the financial multiplier effect;
 - c) **Supporting job creation and innovation** through the development of new jobs and innovative products and services, particularly in technology-intensive and high value-added sectors;
 - d) **Strengthening the investment ecosystem in the Republic of Moldova** and consolidating alternative financing mechanisms by attracting local, regional and international investment funds and fund managers, while encouraging local investment presence, including the establishment of investment team capacity in the Republic of Moldova.
- (2) In order to ensure achievement of the Product's objectives and enable measurement of its impact, the following performance indicators shall apply:
- a) Number of investment partners selected and contracted – at least 2 Investment Partners within 24 months from approval of the Product;
 - b) Cumulative volume of capital mobilized (public and private) – at least MDL 600 million within 18 months from the execution date of the first-loss tranche Agreements;
 - c) Minimum number of SMEs financed within five years:
 - Growth-potential SMEs – 12;
 - Technology start-ups – 8;
 - d) Share of investments made in the form of share capital – minimum 50%;
 - e) Number of new jobs created – minimum 20;
 - f) Portfolio Internal Rate of Return (IRR) achieved by each investment partner – minimum 10%.
- (3) The financing activities carried out under the Product are subject to the State aid legal framework, in accordance with Law No. 139/2012 on State Aid and the interpretative instruments adopted by the EU institutions, including the relevant case law of the Court of Justice of the European Union. The cumulation of financing granted under the Product with other State aid in respect of the same eligible costs shall comply with the conditions and limits laid down in the applicable legislation.
- (4) State aid under this Product shall be granted only after the Competition Council has adopted an authorisation decision. Where aid is granted in breach of this condition or contrary to the regulations referred to in paragraph (3), the State aid recovery mechanism shall apply in accordance with the applicable State aid legislation.

3. Definitions

For the purposes of this Product, the following acronyms and definitions shall apply:

- (1) **investment partner** - an investment fund (local, regional or international), investment company, investment management company, alternative investment fund or other investment vehicle that satisfies the eligibility criteria established under this Product;
- (2) **first-loss tranche** - a component of the capital structure of an investment partner that is positioned on a subordinated basis relative to the other financing tranches. It is provided by ODA for the purpose of absorbing the initial losses arising from unsuccessful investments within the portfolio. The role of the first-loss tranche is to reduce risk for private and institutional investors by providing a protection mechanism against initial losses. Accordingly, it has a catalytic effect, encouraging the mobilisation of private and institutional capital.

- (3) **FACEM** - The Moldova Entrepreneurship and Economic Growth Fund, established and operating pursuant to Government Decision No. 94/2023.
- (4) **SME** - a small or medium-sized enterprise as defined under Article 4 of Law No. 179/2016 on small and medium-sized enterprises;
- (5) **Beneficiary** - an SME meeting the eligibility requirements established under this Product and receiving an investment from an investment partner;
- (6) **quasi-equity instrument** - hybrid financing instruments positioned between debt financing and equity financing, which may be used in accordance with the applicable legal and regulatory framework. Such instruments include, without limitation, convertible loans that may be converted into shares or equity interests, subordinated loans, including mezzanine financing, as well as other equivalent contractual arrangements that may, as applicable, allow the investor to participate in the economic performance of the enterprise or permit the subsequent conversion of the financing into share capital;
- (7) **Internal Rate of Return (IRR)** - the annualized rate of return of the investment portfolio, determined on the basis of all cash flows attributable to the investments, including investments resulting in total or partial losses, and calculated at the time of divestment. The IRR shall be calculated using the formula set out below:

$$\sum_{i=0}^n \frac{CF_i}{(1 + IRR)^{\frac{d_i - d_0}{365}}} = 0$$

unde:

- CF_i - the net cash flow attributable to the investment at date d_i ;
- d_i - the actual date on which the cash flow occurs;
- d_0 - the date of the first cash flow;
- n - the total number of cash flows attributable to the investment portfolio;
- IRR - the annualized Internal Rate of Return that equates the present value of cash inflows and cash outflows such that the Net Present Value (NPV) equals zero.

$CF_i < 0$ – cash outflows (investment contributions, follow-on investments, and investment-related expenses);
 $CF_i > 0$ – cash inflows (dividends, distributions, recoveries, divestment proceeds, and other receipts attributable to the investments).

- (8) **Other definitions**, terms and acronyms used in this document shall have the meanings assigned to them under the Regulation on the activity of the Moldova Entrepreneurship and Economic Growth Fund (approved by Government Decision No. 94/2023).

4. Types and purpose of investments

- (1) Investment partners shall make investments in eligible beneficiaries using mobilized financial resources (public and private), with at least 50% of the investment amount allocated to each beneficiary provided in the form of share capital, and the remaining portion provided through quasi-equity instruments and/or equivalent instruments.
- (2) Investments shall be made in SMEs whose business activities correspond to the eligible activities

within the priority economic sectors specified in Section 40⁶ (2) and Section 40⁷ (2) of the Regulation on the activity of the Moldova Entrepreneurship and Economic Growth Fund, approved by Government Decision No. 94/2023, and listed in Annex No. 1 to this Product.

(3) Where an SME's constitutional documents provide for the conduct of several business activities that are eligible under paragraph (2) of this Section, the activity deemed eligible for the purposes of this Product shall be the activity that generated more than 15% of total sales revenue during the most recent financial reporting period preceding the selection of the SME as a beneficiary by the investment partner. Where more than 50% of the SME's sales revenue is derived from ineligible activities, the SME shall not qualify for investments under this Product.

(4) An SME may receive investments from only one Investment Partner selected under this Financing Product.

(5) Private and institutional investors must:

(a) be legally established in the Republic of Moldova, a member state of the European Union, or another jurisdiction recognized as equivalent with respect to financial market transparency and regulation and, where applicable, authorized by the competent supervisory authority; and

(b) not have ultimate beneficial owners registered and/or resident in jurisdictions that do not implement international transparency standards, in accordance with the regulations and requirements of the competent supervisory authority and the Service for Prevention and Combating Money Laundering.

5. Total value of investments under the Financing Product (Total budget)

(1) The initial budget of the Product amounts to MDL 200 million, allocated as follows:

- MDL 60 million for 2026, allocated to a single investment partner investing in growth-potential SMEs;
- MDL 140 million for 2027, allocated to investment partners investing in growth-potential SMEs, technology start-ups and innovative SMEs.

(2) The budget may be increased by ODA through additional resources allocated from the State Budget and/or by development partners, with a corresponding adjustment, where applicable, of the indicators set out in Section 2 (2) of the Financing Product.

6. Capital mobilization, investment and exit periods

(1) The Investment partner shall mobilise private and institutional financial resources, in addition to those allocated by ODA, within a maximum period of eighteen (18) months from the date of execution of the first-loss tranche Agreement by ODA, in accordance with the model set out in Annex No.3 to the Product, as may be adjusted to reflect the specific terms and conditions negotiated with the investment partner.

(2) Agreements entered into between the Investment Partner and private and/or institutional investors may provide for interim fundraising periods for the mobilization of financial resources, provided that such periods fall within the timeframe specified in paragraph (1) and comply with the financial

leverage ratios set out in Sections 17 and 18 of the Financing Product.

(3) The allocation of the first-loss tranche by ODA to the investment partner shall be carried out in accordance with the schedule agreed by the contracting parties, which shall form an integral part of the first-loss tranche Agreement, following confirmation of the mobilization and allocation of additional financial resources from private and/or institutional investors for each beneficiary.

(4) The mobilisation and allocation of financial resources referred to in paragraph (3) shall be deemed confirmed upon submission to ODA of a Resource allocation confirmation Certificate, accompanied by relevant supporting documentation (bank account statements or other equivalent evidence) in respect of each beneficiary.

(5) The investment partner shall have a maximum period of five (5) years following the confirmation of resource mobilization pursuant to paragraph (1) or, where applicable, paragraph (2) of this Section, to make investments in eligible beneficiaries, provided that the investment partner submits a request for the allocation of financial resources from ODA within ninety (90) days from the date of execution of the investment agreement with the beneficiary and transfers the financial resources relating to the investment to the SME within ninety (90) days from the date of receipt of the corresponding allocation from ODA. The transfer period may be extended by up to an additional ninety (90) days, upon a duly justified and documented request submitted by the investment partner and approved in writing by ODA.

(6) The maximum divestment period, assessed individually for each beneficiary, shall be up to five (5) years, commencing on the date of expiry of the investment period referred to in paragraph (5) of this Section, and may be extended for two consecutive additional periods of one (1) year each, subject to the prior written approval of ODA and based on a duly substantiated justification submitted by the investment partner.

CHAPTER II. CONDITIONS AND ELIGIBILITY CRITERIA FOR INVESTMENT PARTNERS

7. Only investment partners that satisfy the eligibility criteria set out in this Chapter and have been selected through a public call for proposals organized by ODA shall be eligible to implement investments under the Product. The list of participating investment partners shall be published on ODA's official website in the section dedicated to this Product.

8. Investment partners shall be selected in accordance with the Investment partner selection Procedure (Annex 2 to this Product) under the following conditions:

- a) the maximum duration of a Call for Proposals shall be 90 calendar days;
- b) the selection and contracting of investment partners shall be carried out within the limits of, and subject to, the availability of budgeted financial resources allocated to the Product;
- c) compliance with the eligibility criteria of the Product shall not confer upon any applicant a guaranteed right to receive financing.

9. General eligibility criteria for investment partners

- a) be legally established in the Republic of Moldova, a member state of the European Union, or another jurisdiction recognized as equivalent in terms of financial market transparency and regulation and, where applicable, be authorized or supervised by the competent authority of its jurisdiction of establishment;
- b) where the applicant is a regional or international investment fund, it must be managed by an investment management company or investment company duly established and regulated in a jurisdiction applying standards equivalent to those applicable within the European Union and compliant with the legislation of the Republic of Moldova;
- c) not be subject to insolvency, liquidation, restructuring proceedings, or international sanctions;
- d) maintain adequate risk management systems, internal control mechanisms, policies and procedures;
- e) formally undertake to comply with all requirements, conditions and criteria established under the Product;
- f) formally undertake not to invest in enterprises in which its officers, directors, key personnel or affiliated persons hold shares or ownership interests, such undertaking constituting a contractual obligation;
- g) successfully undergo ODA's evaluation process, including an assessment of the Investment Strategy in accordance with Section 11;
- h) have no outstanding liabilities towards the National Public Budget at the time of evaluation, where applicable;
- i) provide ODA representatives with access to all premises, systems, information and documents necessary for monitoring and evaluation activities;
- j) comply with all communication, publicity and visibility requirements applicable to the Product.

10. Specific eligibility criteria for investment partners:

(1) A regional or international investment partner shall demonstrate at least five (5) years of experience in managing investment funds and shall undertake, through a written commitment, to recruit at least two (2) individuals located in the Republic of Moldova who will be responsible for identifying potential beneficiaries, conducting investment assessments, monitoring investments, and liaising with ODA and the investment beneficiaries.

(2) A local investment partner shall demonstrate:

- a) in the case of investments in growth-potential SMEs, experience in financial intermediation or transaction advisory services (including share sales, equity transactions, investor fundraising, and similar activities), provided that the applicant can demonstrate participation in at least two transactions in the Republic of Moldova during the previous three (3) years, or ownership of shares/equity interests representing at least 30% of the share capital of an enterprise;
- b) in the case of investments in early-stage technology start-ups (up to two years from incorporation), experience in investment, acceleration, incubation, mentoring, or other

activities specified in the Financing Product, or experience in facilitating investments in at least five (5) early-stage technology start-ups during the previous three (3) years, including through the use of instruments specific to the innovation ecosystem.

11. For the purpose of ODA's assessment of the investment partner's compliance with the requirements of the Product, the investment partner shall submit an Investment Strategy prepared in accordance with the requirements set out in Annex 2.1 to the Procedure for the deletion of investment partners.

12. Financing period and reporting

(1) The allocation of financial resources by ODA to the investment partner shall be carried out within the limits of the available budget and in accordance with the terms and conditions established in the first-loss tranche Agreement.

(2) The Investment Partner shall submit semi-annual reports on the status of investments and losses incurred, an annual report, subject to external audit, covering the utilization of the first-loss tranche, investment performance, distributions made, losses and recoveries recorded, impact indicators, and investment results, as well as a final post-investment evaluation report to be submitted two (2) years following divestment.

13. Financing limits and monetary value

(1) The amount of financial resources allocated by ODA shall be determined separately for each Call for proposals. Only one investment partner shall be selected under each Call for proposals. The allocation of financial resources shall be made within the budget allocated to the respective call, in accordance with the results of the evaluation conducted pursuant to the Procedure for the selection of investment partners (Annex No. 2).

(2) Financial resources allocated by ODA to the investment partner shall be provided in the national currency of the Republic of Moldova.

(3) The investment partner shall maintain a current account denominated in the national currency with a bank licensed in the Republic of Moldova.

14. Costs applicable to resources allocated by ODA

(1) The coverage of the investment partner's operational or administrative expenses shall be permitted within the maximum management fee cap of 2.5% per annum of the amount effectively invested in eligible beneficiaries.

(2) The management fee referred to in paragraph (1) in respect of mobilized public resources may be collected by the investment partner only from:

- a) the amount effectively invested in eligible beneficiaries - during the first year; and
- b) revenues generated by the beneficiaries from the investment made under the Product - in subsequent years, starting from the second year.

(3) To cover the administrative costs associated with the organization and operation of the Fund of Funds, ODA shall charge a one-time fee equal to 10% of the financing allocated to the investment partner, which shall be retained by ODA at the time the financial resources are disbursed to the investment partner.

(4) ODA may impose penalties on the investment partner for failure to comply with the terms and conditions set out in the Product or in the first-loss tranche Agreement, provided that such penalties shall not exceed 0.5% of the amount of the first-loss tranche allocated by ODA.

CHAPTER III. BENEFICIARY ELIGIBILITY CRITERIA AND SPECIFIC FINANCING CONDITIONS

15. The investment partner shall be solely responsible for selecting Beneficiaries in accordance with its internal procedures, without involvement of ODA in beneficiary selection, investment evaluation, investment decision-making or governance processes. The investment partner shall ensure that each Beneficiary complies with the following eligibility criteria:

- a) is registered in the State Register of Legal Entities of the Republic of Moldova, is not undergoing reorganisation or liquidation, and does not qualify as an undertaking in difficulty within the meaning of point 17, subpoints 17.1–17.3, of the Regulation on State Aid for Rescuing and Restructuring Non-Financial Undertakings in Difficulty, approved by Decision No. 05 of the Plenum of the Competition Council of 29 October 2025;
- b) qualifies as a Small or Medium-Sized Enterprise (SME) within the meaning of Law No. 179/2016 on Small and Medium-Sized Enterprises, except for enterprises falling under the exclusions established by Article 12 (3) thereof;
- c) does not have ultimate beneficial owners established and/or resident in jurisdictions that do not implement internationally recognized transparency standards in accordance with applicable supervisory and anti-money laundering regulations;
- d) on the date the investment is made, is not admitted to trading on a regulated market within the meaning of Law No. 171 of 11 July 2012 on the Capital Market. Admission to trading on a multilateral trading facility on which at least 50% of the financial instruments admitted to trading are issued by SMEs shall not affect the beneficiary's eligibility.
- e) has no outstanding liabilities towards the National Public Budget at the date of execution of the investment agreement with the investment partner;
- f) has not been repeatedly sanctioned for the same legislative violations identified through state control or inspection activities;
- g) carries out activities falling within the eligible sectors listed in Annex No.1 to this Product.

16. The selected investment partner shall comply with a minimum financial multiplier, representing the ratio between the total value of the financial resources mobilized by the investment partner and the amount allocated by ODA from public resources in the form of a first-loss tranche, which shall serve as an indicator of the investment partner's effectiveness in attracting complementary financing. The financial multiplier ratio shall be calculated solely on the basis of the amount effectively disbursed by ODA to the investment partner, net of the fee referred to in Section 14 (3).

17. In the case of an investment partner selected to invest in growth-potential SMEs, the investment partner shall ensure compliance with the following specific conditions:

- 1) in addition to the first-loss tranche allocated by ODA, which shall not exceed MDL 60 million for each investment partner, the investment partner shall mobilize additional financial resources

while maintaining a minimum financial multiplier of 1:3, such that for every MDL 1 allocated by ODA, at least MDL 3 shall be additionally mobilized;

- 2) the minimum investment amount shall be MDL 10 million and the maximum investment amount shall be MDL 80 million per Beneficiary.

18. In the case of an investment partner selected to invest in technology start-ups at early stages of development, the investment partner shall comply with the following specific requirements:

- 1) in addition to the first-loss tranche allocated by ODA, which shall not exceed MDL 20 million per Investment Partner, mobilize additional financial resources while maintaining a minimum financial leverage ratio of 1:1, such that for every leu allocated by ODA, at least one additional leu is raised from private and/or institutional investors;

- 2) the minimum investment amount shall be MDL 1 million per Beneficiary.

Annex No.1
Eligible CAEM¹ codes of SME economic activities

A. Growth-potential SMEs

Section C – Manufacturing	
Clasa	CAEM Code
Manufacture of food products	10.11 – 10.92
Manufacture of beverages	11.01 – 11.07, excluding 11.01
Manufacture of textiles	13.10 – 13.99
Manufacture of wearing apparel	14.11 - 14.39
Tanning and dressing of leather; manufacture of luggage, handbags and saddlery	15.11 – 15.12
Manufacture of footwear	15.20
Manufacture of wood and cork products, excluding furniture	16.10 - 16.29
Manufacture of paper and paper products	17.11 – 17.29
Printing and reproduction of recorded media	18.11 – 18.20
Manufacture of basic pharmaceutical products and pharmaceutical preparations	21.10 - 21.20
Manufacture of other non-metallic mineral products	23.11 – 23.99
Manufacture of fabricated metal products (except machinery and equipment)	25.11 – 25.99
Manufacture of computers, electronic and optical products	26.11-26.80
Manufacture of electrical equipment	27.11 - 27.90
Manufacture of machinery and equipment n.e.c.	28.11-28.99
Manufacture of motor vehicles, trailers and semi-trailers	29.10 – 29.32
Manufacture of other transport equipment	30.11 – 30.99, excluding 30.40
Manufacture of furniture	31.01 – 31.09
Other manufacturing activities n.e.c.	32.11 – 32.99

B. Technology start-ups

Section J – Information and communication	
Clasa	CAEM Code
Telecommunications	61.10-61.90
Information technology service activities	62.01-62.09
Information service activities	63.11-63.99

¹ In accordance with the Classification of Economic Activities of Moldova (CAEM-2), approved by Order No. 28 of the National Bureau of Statistics dated 7 May 2019

Annex No.2
Investment partner selection Procedure

Stage I. Launch of the Call for proposals

1. The Call for Proposals for the selection of investment partners shall be launched by ODA through its official website.
2. The Call for Proposals shall be published at least ten (10) business days prior to its official launch date.
3. The launch date, content of the Call for Proposals and application deadline shall be approved by decision of the ODA Council.

Stage II. Content of the Call for Proposals

4. The Call for Proposals shall include, at a minimum, the following information:
 - (1) description of the Financing Product;
 - (2) budget allocated to the Financing Product;
 - (3) maximum allocation available per investment partner and investment limits applicable to Beneficiaries;
 - (4) application form template for investment partners;
 - (5) list of required documents and information;
 - (6) application submission deadline;
 - (7) ODA contact details for requests for clarification and access to the full application package.
5. The Call for Proposals shall expressly state that the evaluation and selection process will commence only after expiration of the application submission deadline and shall be conducted in accordance with Stage IV of this Procedure.

Stage III. Submission of applications

6. To participate in the Product, prospective investment partners shall submit an electronic application package comprising the application form and all required supporting documents and information. The application package shall be signed by the legal representative of the applicant or by a duly authorized representative and executed using a qualified advanced electronic signature.
7. The application submission period shall be established in accordance with Section 3 of this Procedure and shall not exceed 90 calendar days from the launch date of the Call for Proposals.
8. The application package submitted by a prospective Investment Partner shall include:
 - (1) Documents and information demonstrating compliance with the eligibility criteria established under Chapter II of the Product;
 - (2) An Investment Strategy prepared in accordance with Annex 2.1 to this Procedure.
9. ODA shall be responsible for receiving applications and maintaining an electronic application file for each investment partner.

Stage IV. Evaluation of applications

10. ODA shall evaluate all applications submitted under this Procedure within 60 calendar days following the expiration of the application submission deadline.
11. During the evaluation process, ODA may request additional information, supporting documentation or clarifications for the purpose of assessing compliance with the eligibility criteria established under Chapter II of the Financing Product. Such requests shall be made in writing and shall specify the deadline for submission of the requested information.
12. ODA may organise working meetings, conduct interviews, and/or carry out on-site assessment visits for the purpose of verifying the investment partner's compliance with the eligibility criteria set out in Chapter II of the Product and validating the information provided by the investment partner.

13. During the evaluation process, ODA shall have the right to verify information from publicly available sources and, where appropriate, obtain confirmations from competent authorities or other relevant institutions.

14. Where an application submitted pursuant to Section 8 and, where applicable, Section 11 of this Procedure contains incorrect and/or incomplete documents or information, the evaluation period shall commence on the date on which the complete and compliant documentation is received.

15. Where the documents and/or information submitted are found to be false, misleading and/or unauthentic, or where the required documents are not submitted within the deadlines established under Sections 7 and/or 11 of this Procedure, without the prospective iInvestment partner having requested an extension duly justified and approved by ODA, the application shall be rejected and the applicant shall be formally notified thereof. Rejection of an application by ODA under a particular call for proposals shall not affect the investment partner's right to participate in subsequent calls for proposals.

16. ODA shall evaluate eligible investment partners on the basis of an aggregate score determined in accordance with Annex 2.2 to this Procedure, which assesses the following criteria:

- (1) Assessment of performance exceeding the minimum eligibility requirements and of the applicant's historical expertise;
- (2) Assessment of the team and operational capacity;
- (3) Assessment of the investment process as described in the Investment Strategy;
- (4) Assessment of the Investment Partner's reputation;
- (5) Assessment of corporate governance.

17. The evaluation report, including the score assigned to each applicant, shall be submitted for review to ODA's Financing and Risk Committee, which shall recommend to the Director of ODA the approval or rejection of applicants for selection as investment partner.

18. Based on the recommendations of ODA's Financing and Risk Committee, the Director of ODA shall issue a decision regarding the selection of a single investment partner and shall notify all applicants in writing of the acceptance or rejection of their applications, as applicable.

19. ODA shall initiate the procedures for negotiating and concluding the financial resources allocation Agreement (through a first-loss tranche) with the selected Investment Partner, in accordance with the template set out in Annex No. 3 to the Product.

Annex no.2.1. to the Investment Partner Selection Procedure

Investment strategy requirements

1. The Investment Strategy constitutes the fundamental document through which the Investment Partner demonstrates the manner in which the resources allocated by ODA and the complementary resources mobilized from investors will be utilized in order to achieve the objectives of the Product.

2. The Investment Strategy shall be clear, realistic, substantiated and measurable and shall include, at a minimum, the following components:

- (1) Introduction and general objectives
 - purpose of the strategy;
 - alignment with the objectives of the Product;
 - type of planned interventions (equity / quasi-equity);

- role of ODA capital (including the first-loss tranche).
- (2) Investment experience and performance
- investment track record (number, value and sectors of investments completed);
 - relevant transactions (during the last 3–5 years);
 - performance indicators (IRR, leverage ratio, investment exits);
 - experience in capital mobilization and fund management.
- (3) Team and operational capacity
- team structure;
 - number of employees resident in the Republic of Moldova (currently employed and/or planned to be recruited);
 - roles and responsibilities;
 - relevant professional experience;
 - complementarity of competencies;
 - implementation capacity.
- (4) Investment objectives
- estimated number of beneficiary enterprises;
 - type of target enterprises (growth-potential SMEs or technology start-ups);
 - target economic sectors;
 - financial instruments to be utilised;
 - risk-return profile.
- (5) Beneficiary selection criteria
- investment size per beneficiary;
 - stage of development of the company;
 - minimum financial indicators (e.g. revenues, profitability, cash flows);
 - qualitative criteria (shareholding structure, growth potential, scalability, etc.).
- (6) Capital allocation plan
- financing structure at the level of each investment (allocation between share capital and other equivalent instruments);
 - degree of portfolio concentration and diversification;
 - minimum and maximum limits per investment.
- (7) Mobilization of complementary resources and financial multiplier ratio:
- strategy for attracting private and institutional capital;
 - potential funding sources;
 - structure of the investor base;
 - compliance with the minimum financial multiplier ratio;
 - mechanisms to ensure capital mobilization within the established timeframe.
- (8) Financial projections and investment timeline
- investment timeline and pace of capital mobilization, ensuring compliance with the maximum period of 18 months;
 - estimated total value of investments;
 - estimated utilization rate of the funds;
 - projected investment returns (IRR).

(9) Monitoring and divestment plan

- investment performance monitoring mechanisms;
- minimum impact indicators (jobs created, turnover growth, exports);
- reporting mechanisms;
- divestment strategies.

(10) Remuneration structure

- management fee (maximum 2.5% per annum);
- alignment of remuneration with investment performance and achievement of impact indicators.

(11) Mandatory declarations

- Participant Declaration (form approved by Order of the Director of ODA);
- Key Team Member Declaration, for each designated key team member (form approved by Order of the Director of ODA);
- Consent Declaration for the Processing of Personal Data (form approved by Order of the Director of ODA);
- Declaration regarding the Beneficial Owner;
- Declaration regarding State Aid.

(12) Governance and compliance

- decision-making structures;
- internal control;
- risk policies;
- legal compliance.

Annex no.2.2 to the Investment Partner Selection Procedure

Aggregated scoring methodology within the Investment Partner Evaluation Procedure

1. General provisions

- (1) The evaluation of Investment Partners shall be carried out based on an aggregated score calculated through the application of a system of quantitative and qualitative criteria and indicators.
- (2) The aggregated score reflects the Investment Partner's capacity to:
 - generate sustainable returns;
 - mobilize private and institutional capital;
 - effectively implement the investment strategy;
 - contribute to the achievement of the objectives of the Product.
- (3) The aggregated score shall be calculated based on the information provided in:
 - the Investment Strategy;
 - the application documentation;
 - other relevant information available.

2. Structure of the Aggregated Score

- (1) The aggregated score shall be expressed on a scale from 0 to 100 points.
- (2) The evaluation shall be carried out on the basis of the following criteria:

No.	Criterion	Weight
1	Performance beyond the minimum eligibility requirements and historical investment expertise	30%
2	Team and operational capacity	20%
3	Investment process	20%
4	Reputation of the Investment Partner	15%
5	Corporate governance	15%
	Total	100%

3. Calculation Methodology

- (1) A partial score shall be calculated for each criterion based on the corresponding criteria and indicators set out in the Technical Annex.
- (2) The total score shall be calculated as the weighted sum of the partial scores obtained for each criterion. Accordingly, an aggregated score shall be calculated in accordance with the following formula:

$$S_{total} = 0.3 \cdot S_1 + 0.2 \cdot S_2 + 0.2 \cdot S_3 + 0.15 \cdot S_4 + 0.15 \cdot S_5$$

- (3) Taking into account that certain evaluation criteria are specific to the type of Investment Partner or the type of investments (growth-potential SMEs or technology start-ups), the maximum attainable score may vary among applicants. In order to ensure comparability among Investment Partners,

partial scores shall be determined by normalizing the score obtained against the maximum attainable score applicable to each type of Investment Partner or investment category.

(4) The maximum attainable score shall be determined based on the applicable criteria, including both the general criteria and those specific to the type of Investment Partner and the proposed investment portfolio structure.

(5) The general evaluation criteria applicable to all types of Investment Partners shall contribute uniformly to the total score, irrespective of the type of Investment Partner.

(6) The minimum score required for an Investment Partner to be designated as the successful applicant shall be 50 points.

4. Evaluation by criterion

4.1 Historical investment expertise and performance

EVALUATION SCORE FOR PERFORMANCE BEYOND THE MINIMUM ELIGIBILITY REQUIREMENTS								
Type of Investment Partner	Criterion	Indicator	Minimum Eligibility Threshold	Maximum Score	Actual Value	Scoring Guidance	Calculated Score	Comments
A	B	C	D	E	1	2	3	4
Regional or international Investment Partner	Investment fund management experience	15 years	15	20	10 → 5 years 15 → 5-7 years (including) 20 → 7 years			
Regional or international Investment Partner	Commitment to recruit two investment team members located in the Republic of Moldova	12	20	10 → 2 15 → 3 (including) 20 → 23				
Local Investment Partner (investments in growth-oriented SMEs)	Experience in equity transactions / financial intermediation in the Republic of Moldova during the last 5 years*	12 transactions	20	10 → 2 15 → 2-5 (including) 20 → 25				corresponding score shall be determined based on the indicator most favorable to the applicant, without cumulating the scores. For the purpose of calculating the score based on the number of transactions, the average value of the transactions referred to in row (7) shall also be taken into consideration. The final score shall be calculated as the average of the scores obtained for the number of transactions and the transaction value.
Local Investment Partner (investments in growth-oriented SMEs)	Equity participation**	330% equity participation in the company	20	10 → 30% 15 → 30-50% (including) 20 → >50%				
Local Investment Partner (technology start-up investments)	Experience in equity transactions / financial intermediation in the Republic of Moldova during the last 5 years*	15 startups	10	10 → 2 15 → 3-5 (including) 20 → 25				
Local Investment Partner (technology start-up investments)	Experience in investment, acceleration, incubation and mentoring activities	YES/NO	10	10 → 30% 15 → 30-50% (including) 20 → >50%				Taking into account that these two eligibility criteria are alternative, the corresponding score shall be determined based on the indicator most favorable to the applicant, without cumulating the scores.
Local, regional or international Investment Partner (investments in growth-oriented SMEs)	For each lei allocated by ODA, at least three additional lei shall be mobilised	1:3	10	10 → 1:3 15 → 1:3-1:4 20 → 1:4				The financial leverage ratio shall be calculated based on the values projected in the Investment Strategy and validated against the Investment Partner's demonstrated historical capacity.
Local, regional or international Investment Partner (investments in growth-oriented SMEs)	For each lei allocated by ODA, at least one additional lei shall be mobilised	1:1	10	10 → 1:1 15 → 1:1-1:2 20 → >1:2				Financial Leverage Ratio Score = (SME allocation weight × SME score) ÷ (start-up allocation weight × start-up score)
Type of Investment Partner	Criterion	Indicator	Minimum threshold	Maximum score	Actual value	Scoring guidance	Score awarded/ calculated	Comments
Local Investment Partner (investments in growth-oriented SMEs)	Experience in equity transactions / financial intermediation in the Republic of Moldova during the last 5 years**	110 mil. MDL (average transaction value)	10	10 → 10 mil. 15 → 10-15 mil. 20 → >15 mil.				This criterion does not constitute an eligibility requirement but shall be taken into account under the criterion set out in row (3).
Regional or international Investment Partner	Ability to mobilise capital and generate sustainable returns	Relevant experience (investment type and region)	-	10	-	10 → experience in the same type of investments and in the CEE/SEE region 5 → similar but partially relevant experience 3 → general experience 0 → no experience		
		Historical internal rate of return (IRR)	≥ 10%	10	5 → <10% 7 → 10-15% 10 → >15%			
		Historical investment leverage ratio	≥ 2x	10	5 → 2x 7 → 2-3x 10 → >3x			
		Historical investment exit rate	≥ 30%	10	5 → < 30% 7 → >30% & ≤50% 10 → >50%			
		Historical IRR distribution (median vs. mean)	0,4	10	10 → ≥ 0,8 7 → 0,6 – 0,8 5 → 0,4 – 0,6 0,0 → <0,4	R = Median/ Mean		
		Historical number of investors attracted	>10	10	5 → 10-15 investors 7 → 15-25 10 → >25			
		Historical share of private capital	>50%	10	5 → 50-60% 7 → 60-75% 10 → >75%			

(*) Supporting documents – transaction documents, share purchase and/or share sale agreements.

(**) Supporting documents – share certificate and/or certificate evidencing ownership of shares or equity interests (share capital as provided under Article 38(2) of Law No. 1134/1997 on joint-stock companies).

4.2 Team and operational capacity

TEAM AND OPERATIONAL CAPACITY SCORE								
Sub-Criterion	Score 1	Score 2	Score 3	Score 4	Score 5	Score awarded	Comments	Domain average
Decision-making body structure	Inadequate structure, lack of decision-making clarity, major governance risks	Poorly defined structure, unclear responsibilities	Acceptable structure, but with limitations	Well-defined structure, clear responsibilities	Robust structure, clear decision-making mechanisms, adequate segregation of functions			
Team structure and clarity of roles	Non-existent / unclear	Weak, unclear or overlapping roles	Acceptable, roles partially defined	Good, clearly defined roles, minor overlaps	Very well defined, complete organisational structure, clear and segregated roles			
Relevant professional experience	No relevant experience	Limited experience	Moderate / partially relevant experience	Strong experience, largely relevant	Extensive directly relevant experience			
Complementarity of competencies	Lack of complementarity	Competencies are unbalanced	Acceptable, with some gaps	Good complementarity of competencies	Fully complementary competencies			0

4.3 Assessment of the investment process described in the Investment Strategy

INVESTMENT PROCESS SCORE								
Sub-Criterion	Score 1	Score 2	Score 3	Score 4	Score 5	Score awarded	Comments	Domain average
Clearly defined investment process	Absent	Weak	Partial	Well-defined	Comprehensive			
Strategy for attracting private and institutional capital	Non-existent	General, not substantiated	Acceptable	Clear and realistic	Very well substantiated, with a concrete plan and targets			
Potential funding sources	Non-existent / unclear	Limited	Moderately diversified	Diversified	Diversified and credible			
Mechanisms to ensure capital mobilisation within the established timeframe	Absent	Weak	Acceptable, with some gaps	Good	Comprehensive and effective			
Beneficiary selection criteria	Absent	Vague	Partial	Clearly defined	Clearly defined, measurable and applicable			
Investment performance monitoring mechanisms	Absent	Weak	Acceptable	Well-defined	Clear KPIs, structured reporting and control			
Financial projections and investment timeline	Absent or inconsistent	Very general, unsubstantiated estimates	Acceptable estimates, but with gaps	Coherent estimates and largely realistic	Detailed, realistic and internally consistent estimates			
Remuneration structure	Unacceptable (exceeds limits or is unjustified)	Weakly linked to performance	Acceptable	Good, partially linked to performance	Very well structured, clearly linked to performance and impact			
Exit strategy	Non-existent	Weak	Acceptable	Good	Very well defined and realistic			0

4.4 Assessment of the investment partner's reputation

INVESTMENT PARTNER REPUTATION SCORE								
Sub-Criterion	Score 1	Score 2	Score 3	Score 4	Score 5	Score awarded	Comments	Domain average
Litigation, complaints or disputes	Severe / unacceptable risks	Multiple issues	Recurring issues	Isolated cases	No issues			
Sanctions / non-compliance findings	Severe	Significant	Moderate	Minor / historical	None			
Negative media coverage	Persistent / severe	Multiple occurrences	Moderate	Limited	None			
Submission of inaccurate information in the application file	Major errors / significant inconsistencies	Multiple material errors or omissions	Limited material errors or omissions	Minor, unintentional errors	No errors			0

4.5 Governance, risk management and compliance

CORPORATE GOVERNANCE SCORE								
Sub-Criterion	Score 1	Score 2	Score 3	Score 4	Score 5	Score awarded	Comments	Domain average
Governance structure	Lack of a clear structure, informal decision-making, high risk of conflicts of interest	Deficient – incomplete structure, unclear responsibilities, insufficient segregation of functions	Functional – existing structure, but with limitations regarding role clarity or the decision-making process	Good – clear structure, defined roles, functional decision-making mechanisms	Exemplary – robust structure, defined committees (e.g. investment committee), clear segregation of functions, transparent decision-making mechanisms			
Internal control and audit	Absent – no control or verification mechanisms in place	Weak – informal controls, not consistently applied	Moderate – basic controls exist, but are limited or inconsistently applied	Good – defined control mechanisms applied in the majority of processes	Advanced – comprehensive internal control and audit system, clear procedures, periodic reviews and corrective mechanisms			
Risk policies	No risk policies in place	Limited, unclear or unapplied policies	Policies exist, but are only partially implemented	Well-defined policies applied in the majority of cases	Robust risk management framework, fully implemented and integrated into the investment process			
Legal and regulatory compliance	Significant non-compliance or major risks	Identified compliance risks	Acceptable compliance, with some gaps	Good compliance, without significant issues	Full compliance, no incidents, and clear compliance assurance mechanisms			
Transparency and reporting	Lack of transparency and reporting mechanisms	Limited, unclear or irregular reporting	Acceptable but incomplete reporting	Clear and periodic reporting	High level of transparency, structured periodic reporting, and clear performance and impact indicators			0

5. Final Provisions

(1) The detailed scoring grids and calculation formulas are set out in the Technical Annex to this Procedure.

(2) ODA reserves the right to request additional information for the purpose of clarifying the elements subject to evaluation.

TEMPLATE
First-loss tranche agreement

CONTRACT No. ____
First-loss tranche allocation agreement

Chișinău Municipality
"____" _____ 202_

PREAMBLE

This first-loss tranche agreement No. ____ (hereinafter referred to as the "Agreement") is entered into pursuant to Article 13¹ (3¹) of Law No.179 of 21 July 2016 on Small and Medium-Sized Enterprises (hereinafter referred to as "Law No. 179/2016") and Chapter III¹ of the Regulation on the Activity of the Moldova Entrepreneurship and Economic Growth Fund, approved by Government Decision No. 94 of 28 February 2023 (hereinafter referred to as "GD No. 94/2023"),

BY AND BETWEEN:

The Public Institution "Entrepreneurship Development Organization", established and operating pursuant to Government Decision No. 487 of 13 July 2022 on the Organization and functioning of the Public Institution "Entrepreneurship Development Organization", having its registered office at: 38 Albișoara Street, MD-2005, Chisinau Municipality, Republic of Moldova, represented by Mr./Ms. _____, acting on the basis of the Charter, in its capacity as the **Public Funder** (hereinafter referred to as "ODA"), and

[Name of the Investment Partner], IDNO/Registration number _____, having its registered office at: _____ Street, no._____, city _____, _____, represented by Mr./Ms. _____, acting on the basis of the Charter, in its capacity as the **Investment Partner** (hereinafter referred to as the "Partner"),

hereinafter individually referred to as a "Party" and collectively as the "Parties".

NOW, THEREFORE, the Parties have agreed to enter into this Agreement under the following terms and conditions:

I. DEFINITIONS AND INTERPRETATION

1.1. For the purposes of this Agreement, the terms below shall have the following meanings:

Operational documents related to the Financing Product (hereinafter referred to as the "Operational documents") – documents prepared and/or approved by ODA for the purpose of implementing financing under the "Fund of Funds through a first-loss tranche" Financing Product, including the "Fund of Funds through a first-loss tranche" Financing Product, the Investment Partner Selection Procedure and Financial Mechanism, the Investment Strategy, and any other applicable documents.

Financing Product (Product) – the "Fund of Funds through a first-loss tranche" Financing Product, developed and approved by the Public Funder in accordance with the applicable legislation and its internal procedures.

Investment period – the maximum period during which the Investment Partner shall make investments in eligible SMEs, which shall not exceed five (5) years following confirmation of the mobilization of additional financial resources, in accordance with the terms and conditions of the Financing Product.

Divestment period – the maximum period during which the Investment Partner shall withdraw and/or recover investments made in eligible SMEs, which shall not exceed five (5) years and shall commence upon the expiry of the Investment Period, with the possibility of extension for two consecutive periods of one year each, subject to ODA’s prior written approval and based on a duly substantiated justification submitted by the Investment Partner.

1.2. Any other definitions, terms and acronyms used in this Agreement shall have the meanings assigned to them under Law No. 179/2016, GD No. 94/2023 and the Operational documents applicable to the Financing Product.

II. SUBJECT MATTER OF THE AGREEMENT

2.1. The subject matter of this Agreement is the allocation by ODA to the Partner of public financial resources in the form of a first-loss tranche, under the “Fund of Funds through a first-loss tranche” Financing Product, for the purpose of reducing the risks borne by private and/or institutional investors through the provision of a protection mechanism against initial losses.

2.2. The first-loss tranche represents a public contribution with a priority loss-absorption function, used exclusively under the conditions set out in Law No.179/2016, Government Decision No. 94/2023, the Operational Documents, and this Agreement, and is intended for:

- a) mobilizing additional financial resources by the Partner from private and/or institutional investors;
- b) sharing investment risks between ODA and private and/or institutional investors;
- c) facilitating investments in eligible beneficiary enterprises;
- d) supporting the public policy objectives and economic impact pursued through the implementation of the Financing Product.

2.3. The first-loss tranche allocated by ODA constitutes earmarked financing and shall be recorded separately in the Partner’s accounting records and reporting.

III. VALUE OF THE FIRST-LOSS TRANCHE

3.1. The maximum amount of the first-loss tranche allocated by ODA under this Agreement shall be [amount] MDL, to be disbursed in accordance with the provisions of Chapter V of this Agreement.

3.2. The proportion of the first-loss tranche in relation to the total private and/or institutional resources mobilized by the Partner and/or, where applicable, at the level of each eligible investment made, shall be determined in accordance with the Operational Documents applicable to the “Fund of Funds through a first-loss tranche” Financing Product and this Agreement.

IV. FEES AND PENALTIES

4.1. The allocation, accounting, and management of the financial resources provided by ODA under

the “Fund of Funds through a first-loss tranche” Financing Product involve financial risks and operational and/or administrative costs for both ODA and the Partner. Such risks and costs shall be covered through the fees charged by the Parties, under the conditions, procedures, and amounts set out in Sections 4.2–4.5 of this Chapter. Any amendment to the fees established in Sections 4.2, 4.3, and 4.5 shall constitute an amendment to this Agreement.

4.2. The Partner shall be entitled to charge fees on the financial resources effectively invested, in accordance with Section 14 of the Financing Product.

4.3. The fees referred to in Section 4.2 of this Chapter shall be calculated and paid _____, no later than _____. The calculation basis shall consist of the balances of the financial resources, as reflected in the Partner’s accounting records, to which the fees specified in Section 4.2 shall be applied.

4.4. ODA shall be entitled to apply penalties for the Partner’s failure to perform, or improper performance of, the conditions of the “Fund of Funds through a first-loss tranche” Financing Product or this Agreement, in the amount of 0.5% (zero point five percent) of the value of the first-loss tranche specified in Section 3.1 of this Agreement.

4.5. The Partner shall be entitled to apply penalties for the beneficiaries’ failure to perform, or improper performance of, the conditions governing investments in share capital and/or quasi-equity instruments and/or equivalent instruments, in accordance with the procedures and amounts set out in the Investment Strategy and the agreements concluded with such beneficiaries.

V. ALLOCATION OF THE FIRST-LOSS TRANCHE

5.1. The allocation of the first-loss tranche shall be carried out in instalments, in accordance with the schedule agreed between the Parties and attached to this Agreement.

5.2. Each instalment of the first-loss tranche shall be disbursed only after the Partner has provided, in a form acceptable to ODA, confirmation of the mobilization and breakdown of the additional financial resources, in accordance with the provisions of Section 6 of the Financing Product.

5.3. ODA shall be entitled to refuse or suspend the disbursement of an instalment if the supporting documents submitted for such disbursement are incomplete, non-compliant, or demonstrate non-fulfilment of the conditions of the “Fund of Funds through a first-loss tranche” Financing Product or of this Agreement.

VI. TERMS AND CONDITIONS OF THE FIRST-LOSS TRANCHE

6.1. The first-loss tranche shall be available exclusively during the Investment Period and only in respect of investments made within the Investment Period, in accordance with the Investment Strategy.

6.2. The terms and conditions governing the drawdown of instalments of the first-loss tranche, as well as the use, accounting, recovery, and, where applicable, repayment of the financial resources allocated by ODA, shall be established by this Agreement and the Operational Documents.

6.3. Any financial resources that remain unused during the Investment Period and/or are used in breach of the purpose set out in the Investment Strategy shall be repaid to ODA in accordance with the terms of this Agreement.

VII. PURPOSE AND USE OF THE FIRST-LOSS TRANCHE

7.1. The first-loss tranche shall be used exclusively for:

- a) mobilizing private and/or institutional capital;
- b) absorbing first losses arising from eligible investments made by the Partner, on an investment-by-investment basis;
- c) sharing investment risk between ODA and private and/or institutional investors.

7.2. The first-loss tranche may be utilised only in the event of actual, certain, documented losses arising from eligible investments.

7.3. The following shall constitute cases for the use of the first-loss tranche:

- a) insolvency, dissolution, or liquidation of the Beneficiary;
- b) divestment below acquisition cost and/or below the amount invested;
- c) impairment of the investment value as a result of a documented credit event or market event;
- d) other similar circumstances provided for in the Operational Documents and accepted by ODA.

7.4. Any use of the first-loss tranche shall be subject to the Partner submitting the following documents:

- a) a justification note describing the loss incurred;
- b) supporting documentation;
- c) confirmation by the internal control function and, where applicable, by the external auditor;
- d) a calculation of the impact on the capital structure and on ODA's rights.

7.5. The Partner shall be prohibited from using the first-loss tranche to cover operational expenses, administrative expenses, fees, or other indirect costs, except as provided for in Section 4.3 of this Agreement.

7.6. The following uses of the first-loss tranche are prohibited:

- a) use outside eligible investments;
- b) pure refinancing of existing obligations in the absence of new investments;
- c) financing activities excluded under the Operational Documents or under applicable environmental, social, and governance (ESG) requirements, where such requirements exist;
- d) distributions to private and/or institutional investors or to the Partner, other than those expressly permitted under the financial mechanism described in Chapter VIII of this Agreement.

VIII. FINANCIAL MECHANISM

8.1. The Financial Mechanism governs the allocation of losses, the distribution of income, and the recovery of amounts within the Financing Product.

8.2. Loss absorption mechanism

(1) ODA shall bear the first level of losses, up to the maximum amount of the first-loss tranche provided for in this Agreement.

(2) Upon the full exhaustion of the first-loss tranche, any further losses shall be borne by the investors in proportion to their capital participation, in accordance with the Operational Documents.

(3) The application of the loss absorption mechanism by investors shall take place at the portfolio level or at the level of each individual investment, in accordance with the structure approved under

the Investment Strategy.

8.3. Income and profit distribution mechanism

(1) Income, proceeds, distributions, and profits generated by investments made through the Fund shall be distributed according to the following order of priority:

- a) payment of costs and expenses related to the management and administration of the Fund;
- b) repayment to ODA of any portion of the first-loss tranche not utilised for loss absorption;
- c) return of invested capital to the investors;
- d) distribution to ODA, the Investment Partner, and the investors of amounts corresponding to the achievement of an IRR of up to and including 10%, in proportion to their respective participations;
- e) distribution of the remaining profit to the Investment Partner and the investors, in proportion to their respective participations, in accordance with the agreed distribution mechanism or the conditions established in the Investment Strategy;
- f) payment of any performance-based variable remuneration (carried interest), where applicable.

(2) The distribution of income and profits shall be carried out in accordance with the principle of proportionality and without granting disproportionate advantages to private investors.

(3) No distribution may be made in violation of ODA's rights or in the absence of compliance with the contractual reporting and compliance requirements.

8.4. Recovery mechanism

(1) Without prejudice to the provisions of Section 8.2, amounts subsequently recovered from investments for which the first-loss tranche has been utilised shall form part of the portfolio income and proceeds and shall be distributed in accordance with the mechanism set out in Section 8.3.

(2) Any portion of the first-loss tranche that has not been utilised for loss absorption shall be returned to ODA and subsequently distributed in accordance with the mechanism provided for in Section 8.3.

(3) ODA shall have the right to request the full or partial recovery of allocated amounts in the event of any non-compliant use of the resources.

(4) The Partner undertakes to repay any amounts due within the period specified in the Repayment Notice issued by ODA and delivered either by post (registered mail with acknowledgement of receipt) or by electronic mail.

(5) In the event of termination of this Agreement by rescission, ODA shall be entitled to request the transfer of any balances relating to the managed resources and may impose measures concerning the management of the portfolio, in accordance with the Operational Documents.

IX. RIGHTS AND OBLIGATIONS OF THE PARTIES

9.1. Rights of ODA

ODA shall have the right to:

- a) request any information, documents, and explanations relevant to the use of the allocated financial resources;
- b) verify the Partner's compliance with the Investment Strategy, the eligibility criteria, and its contractual obligations;
- c) conduct or commission verifications, audits, and inspections;
- d) approve, suspend, or refuse the allocation of instalments of the first-loss tranche, in accordance

with the terms of this Agreement;

e) request the recovery of allocated financial resources in the cases provided for under this Agreement;

f) participate in the investment returns in accordance with the distribution mechanism set out in the Operational Documents and this Agreement.

9.2. Obligations of ODA

ODA shall be obliged to:

a) allocate the financial resources corresponding to the first-loss tranche in accordance with the conditions and limits set out in this Agreement;

b) review, within a reasonable period of time, the requests and documents submitted by the Partner in connection with the performance of this Agreement, including requests for drawdown of instalments from the first-loss tranche;

c) promptly communicate to the Partner any decisions relevant to the implementation of this Agreement.

9.3. Rights of the Partner

The Partner shall have the right to:

a) request and receive instalments of the first-loss tranche in accordance with this Agreement;

b) manage the “Fund of Funds through a first-loss tranche” Financing Product within the scope of the mandate granted and the approved Investment Strategy;

c) claim and receive fees, distributions, and other payments provided for in the Operational Documents and this Agreement.

9.4. Obligations of the Partner

The Partner shall be obliged to:

a) mobilise private and/or institutional financial resources, in addition to those allocated by ODA through the Financing Product, within 18 months from the date of signing this Agreement, in accordance with the model set out in the Investment Strategy attached hereto;

b) invest the mobilised financial resources pursuant to Section 406(1) or, where applicable, Section 407(1) of Government Decision No. 94/2023, exclusively in small and medium-sized enterprises registered in the Republic of Moldova;

c) ensure that at least 50% of the value of each investment made in a beneficiary is provided in the form of share capital, with the remainder being provided through other equivalent instruments;

d) refrain from making investments in enterprises in which its officers, directors, employees in positions of responsibility, or their affiliated persons hold shares or ownership interests;

e) refrain from charging any management fees other than those established by the Financing Product and this Agreement;

f) manage the financial resources allocated by ODA prudently, diligently, and separately from its own resources;

g) use the first-loss tranche exclusively for the purposes provided for under applicable legislation, the Financing Product, and this Agreement;

h) establish and maintain relationships with private and institutional investors in a transparent and non-discriminatory manner;

i) comply with the Investment Strategy, environmental, social and governance (ESG) standards, the applicable state aid framework, and all other applicable compliance requirements;

j) maintain complete, clear, and auditable records of all financial and investment operations;

k) promptly inform ODA, and in any event no later than five (5) Business Days from becoming aware of any breach, material risk, actual or potential dispute, conflict of interest, or event of default under

this Agreement;

l) refrain from undertaking any actions that may prejudice the interests, reputation, or image of ODA, or the objectives of the Financing Product;

m) comply with the communication and visibility requirements applicable to the Financing Product.

X. FINANCIAL AND OPERATIONAL REPORTING

10.1. The Partner shall submit to ODA periodic financial statements and operational reports, as follows:

- a) semi-annually – a narrative report on investments, losses, recoveries, and compliance with contractual limits and conditions;
- b) annually – financial statements and a narrative report on the use of the first-loss tranche, returns, performance of the Financing Product, and impact indicators;
- c) final post-investment evaluation report – a narrative report to be submitted within two (2) months following the expiry of the Investment Period and/or upon the liquidation of the Partner.

10.2. Reports shall include the content, format, indicators, and annexes established by ODA.

10.3. The Partner undertakes to provide, upon ODA's request, additional information and supporting documentation.

XI. AUDIT, REVIEWS AND INSPECTIONS

11.1. ODA shall be entitled to conduct, directly or through authorised persons, reviews, audits and inspections regarding:

- a) the use of allocated financial resources;
- b) compliance with the Investment Strategy and eligibility criteria;
- c) financial and operational reporting;
- d) the Partner's internal control and governance systems;
- e) compliance with legal, ESG and State aid obligations.

11.2. The Partner shall ensure full access to documents, registers, contracts, accounting records and other relevant information.

11.3. The Partner's financial statements and relevant reports shall be subject to an independent external audit under the conditions established by ODA and the Operational Documents.

XII. CONFLICT OF INTEREST

12.1. The Partner shall prevent, identify, disclose and manage any actual, potential or perceived conflict of interest related to its management activities and the administration of financial resources allocated by ODA.

12.2. The Partner shall establish internal procedures governing:

- a) disclosure of conflicts of interest;
- b) recusal from decision-making in conflict situations;
- c) remediation of identified situations;
- d) reporting relevant cases to ODA.

12.3. Failure to disclose or properly manage a conflict of interest shall constitute a material breach of

this Agreement.

XIII. STATE AID AND LEGAL COMPLIANCE

13.1. Financing activities carried out under the Product shall be subject to the legal framework governing State aid, in accordance with Law No. 139/2012 on State Aid, the interpretative instruments adopted by the EU institutions, and the decision authorising the State aid scheme issued by the Competition Council.

13.2. The Product shall be implemented in compliance with the principles applicable to State aid and in accordance with Law No. 139/2012 on State Aid, including:

- (1) the necessity and proportionality of the public intervention;
- (2) limiting the economic advantage to the minimum necessary to address the market failure;
- (3) avoiding undue distortions of competition;
- (4) ensuring transparency and traceability in the use of public funds;
- (5) complying with the rules governing aid cumulation and aid intensity.

13.3. The Partner shall ensure that any economic advantage generated through the use of public resources is limited to the minimum necessary level and, where applicable, is passed on to the Beneficiaries, without resulting in over-compensation of the Partner or private investors.

XIV. TRANSPARENCY AND PROVISION OF INFORMATION

14.1. The Partner shall provide ODA with all information necessary for monitoring, performance evaluation and assessment of the economic impact of investments.

14.2. The Partner shall ensure an appropriate level of transparency regarding financed operations, while respecting commercial confidentiality and data protection requirements.

14.3. Upon ODA's request, the Partner shall provide information required for institutional reporting, independent evaluations, external audits and inspections conducted by other competent authorities.

XV. SUSPENSION, AMENDMENT AND TERMINATION

15.1. ODA may suspend, in whole or in part, the performance of this Agreement where there are reasonable grounds to believe that an Event of Default has occurred.

15.2. Events of default include, without limitation:

- a) misuse of resources;
- b) failure to comply with the Investment Strategy;
- c) failure to comply with reporting obligations;
- d) obstruction of reviews or audits;
- e) fraud, corruption or undisclosed conflicts of interest;
- f) breach of State aid, ESG or legal compliance requirements;
- g) insolvency of the Partner or loss of required authorisations;
- h) submission of false or misleading information;
- i) any other breach or circumstance clearly demonstrating the impossibility of completing the Agreement.

15.3. Upon the occurrence of an event of default, ODA may:

- a) suspend further allocations;
- b) declare repayment obligations immediately due and payable;
- c) recover all or part of the allocated amounts;
- d) terminate this Agreement;
- e) take any other contractual or legal measures necessary to protect the public interest.

15.4. This Agreement may be amended only by mutual agreement of the Parties through a written amendment duly executed by both Parties.

15.5. This Agreement may be terminated in accordance with applicable civil legislation. ODA expressly reserves the right to unilaterally terminate this Agreement in the event of non-performance or improper performance of the Partner's contractual obligations.

15.6. Termination of this Agreement shall not release the Partner from obligations accrued during its validity, including reporting, audit, repayment, recovery and liability obligations.

XVI. CONTRACTUAL LIABILITY

16.1. Each Party shall be liable for damages caused to the other Party as a result of failure to perform or improper performance of its obligations under this Agreement.

- 16.2.** The Partner shall also be liable for damages resulting from:
- a) improper management of financial resources allocated by ODA;
 - b) failure to comply with applicable compliance obligations;
 - c) failure to inform ODA of material risks or relevant breaches.

XVII. EXCUSABLE CIRCUMSTANCES

17.1. The Parties shall not be liable for partial or total non-performance of their obligations under this Agreement where such non-performance results from circumstances justifying non-performance, including war, natural disasters, fire, flood, earthquake, or other circumstances beyond the Parties' reasonable control.

17.2. The Party invoking such circumstances shall immediately, but no later than ten (10) days after becoming aware of them, notify the other Party.

17.3. The occurrence, commencement and duration of such circumstances shall be evidenced by an appropriate certificate issued by the competent authority of the country of the affected Party. The affected Party shall use all reasonable efforts to mitigate the effects of the event.

XVIII. CONFIDENTIALITY

18.1. The Parties shall maintain the confidentiality of information obtained in connection with the performance of this Agreement, except where disclosure is required by law, by competent authorities, or by ODA's institutional obligations.

18.2. The confidentiality obligation shall survive for a period of two (2) years following the termination of this Agreement.

XIX. DISPUTE RESOLUTION

19.1. Any dispute arising out of or in connection with the interpretation, conclusion, performance or termination of this Agreement shall first be resolved amicably through negotiations between the Parties within a maximum period of fifteen (15) Business Days.

For the purposes of this Agreement, evidence of an attempt at amicable settlement shall include delivery of a notice or warning letter to the other Party by hand, registered post, or electronic mail to the addresses agreed by the Parties.

19.2. If an amicable settlement cannot be reached, the dispute shall be submitted to the competent courts of the Republic of Moldova and resolved in accordance with the laws of the Republic of Moldova.

XX. FINAL PROVISIONS

20.1. This Agreement constitutes the entire agreement between the Parties and supersedes any prior oral understandings relating to its subject matter.

20.2. This Agreement shall enter into force on the date of its execution by both Parties and may be signed either in wet-ink form or by means of a qualified advanced electronic signature.

20.3. Communications by electronic means shall be made to the following addresses:

20.4. The Annexes referred to in Chapter XXI form an integral part of this Agreement.

20.5. In the event of any inconsistency between this Agreement and its Annexes, the provisions of this Agreement shall prevail.

20.6. This Agreement is executed in two original counterparts of equal legal effect, one for each Party.

XXI. ANNEXES

21.1. The following Annexes shall form part of this Agreement:

- Schedule for the phased allocation of the first-loss tranche;
- Investment Strategy;
- Reporting templates;
- Other annexes, as applicable.

IP ODA

Full name: _____

Position: _____

Signature: _____

INVESTMENT PARTNER

Full name: _____

Position: _____

Signature: _____

Annex No. 4

Application Form

**Selection of Investment Partners for the implementation of the financing product
“Fund of Funds through a First-Loss Tranche”**

1. General Information about the applicant

Full legal name of the applicant: _____
Legal form: _____
Tax Identification Number / Registration number: _____
Country of registration: _____
Date of incorporation: _____
Registered address: _____
Website: _____

2. Contact Details

Telephone: _____
Email: _____
Contact Person: _____

Legal Representative
Full Name: _____
Position: _____

3. Type of Investment Partner

- ☐ Regional / International Investment Partner
☐ Local Investment Partner

4. Declaration of participation

I, the undersigned, _____, acting as the legal representative of _____, hereby declare under my own responsibility that:

- a) I request the participation of _____ in the Financing Product “Fund of Funds through a first-loss tranche”;
- b) _____ meets the eligibility criteria established under the Financing Product;
- c) the information and documents submitted are complete, accurate, and truthful.

5. Investment experience and historical performance

- a) Fund management experience: _____ years
- b) Total number of investments/transactions completed: _____
- c) Total value of investments managed: _____ MDL or EUR
- d) Number of exits completed: _____
- e) Historical average IRR: _____ %
- f) Historical investment leverage ratio: _____
- g) Percentage of successfully completed investments: _____ %
- h) Historical capital mobilized: _____ MDL or EUR
- i) Examples of relevant transactions (last 3–5 years): _____

Beneficiary	Sector	Investment Amount	Instrument Type	Status
-------------	--------	-------------------	-----------------	--------

6. Team and operational capacity

- a) Total number of employees: _____
- b) Number of employees directly involved in investment management: _____
- c) Number of employees residing in the Republic of Moldova: _____
- d) Number of employees planned to be recruited in the Republic of Moldova: _____

Team Structure

Position	Experience (years)	Responsibilities
----------	--------------------	------------------

CVs of team members: ☐ Attached

7. Investment strategy and investment process

Target Enterprises

- ☐ Growth-Potential SMEs
- ☐ Technology start-ups

Target Economic Sectors: _____

Estimated number of beneficiaries: _____

Investment Instruments

- ☐ Equity
- ☐ Quasi-Equity Instruments
- ☐ Convertible Instruments
- ☐ Other Instruments

Risk-return profile: _____

Investment size

Minimum: _____

Maximum: _____

Estimated portfolio IRR: _____ %

Estimated impact indicators

Number of jobs created: _____

Estimated revenue growth: _____

Estimated export growth: _____

8. Capacity to mobilize complementary resources under the Product

Potential Funding Sources

- ☐ Private Investors

- ☐ Institutional Investors
- ☐ Investment Funds
- ☐ Financial Institutions
- ☐ Other

Description: _____

Existing preliminary commitments:

- ☐ Yes
- ☐ No

If yes, please specify:

Investor	Investor Type	Estimated Amount	Type of Document
----------	---------------	------------------	------------------

Estimated financial leverage ratio: _____

9. Governance, risk management and compliance

The applicant confirms that it has:

- ☐ Risk Management Policy
- ☐ AML/CFT Policy
- ☐ Conflict of Interest Policy
- ☐ ESG Policy
- ☐ Internal Control Procedures
- ☐ Internal Audit Procedures
- ☐ Beneficial Ownership Mechanisms
- ☐ Ethics and Integrity Policies

10. Declarations and Commitments

The applicant declares that it:

- ☐ will not invest in affiliated enterprises;
- ☐ will mobilize capital within a maximum period of 18 months;
- ☐ will comply with the financial leverage ratios established under the Financing Product;
- ☐ will grant ODA access to relevant documents and information;
- ☐ will comply with State Aid requirements;
- ☐ will comply with reporting and audit requirements.

11. Supporting documents attached

- ☐ Investment Strategy
- ☐ Team presentation
- ☐ CVs
- ☐ Evidence of investment experience
- ☐ Financial statements
- ☐ Financial projections
- ☐ Internal Policies

- ☐ Beneficial ownership documentation
- ☐ State Aid Declarations
- ☐ Investor commitment Documents
- ☐ Other relevant documents: _____

12. Signatures

Legal representative

Full name: _____

Position: _____

Date: _____

Signature: _____

(Qualified electronic signature is accepted.)