

Based on Article 25, paragraph 4 of the Law on Innovation Activity ("Official Gazette of the Republic of Macedonia" No. 79/13, 137/13, 41/14, 44/15, 6/16, 53/16 and 190/16), The Managing Board of the Fund for Innovation and Technological Development, at the session held on 16.04.2018, adopted

RULEBOOK

for the support instrument - Co-financed grants for improvement of innovation

I. GENERAL PROVISIONS

Subject

Article 1

This rulebook regulates the basic characteristics of the **instrument - Co-financed grants for improvement of innovation** (hereinafter: "**this Instrument**"), the criteria and procedure for applying for financial support and the criteria and procedure for granting financial support.

Definitions

Article 2

(1) In this Rulebook, in addition to the definitions of the Law on Innovation Activity, definitions and clarifications shall also be used with the following meaning:

1. "Applicant" means an entity that has submitted a project proposal to the Fund on an open public call for granting funds under this Instrument.
2. "Contract for Awarding Funds" means a contract between the Fund and the selected beneficiary for the awarding of funds under this Instrument, concluded in accordance with the rules and procedures set out in this Rulebook.
3. "Committee for Approval of Investments" means a committee established in accordance with the Law on Innovation Activity.
4. "Consortium" means a partnership of two or more persons established based on a consortium agreement, that is, a partnership agreement (oracle).
5. "Beneficiary" means an Applicant who meets the eligibility criteria of this Rulebook and who has signed a Contract for Awarding Funds with the Fund.
6. "Affiliates" means affiliated undertakings within the meaning of Article 491 of the Law on Trade Companies.
7. "Project Proposal" means a project submitted on an open public call for the awarding of funds under this Instrument of the Fund in order to be financed through a co-financed grant in accordance with the criteria and procedure provided for in this Rulebook.
8. "Evaluation Experts" are external expert associates hired by the Fund in accordance with the Rulebook on the manner of involvement and work of the experts in the work of the Fund in the evaluation and giving of expert opinion, for the purpose of implementing the pre-selection phase of the proposal projects under this Instrument.

9. "Fund" means the Fund for Innovation and Technological Development of the Republic of Macedonia.

Purpose and Description of the Instrument

Article 3

- (1) The purpose of this Instrument is to provide financial support for the development and application of innovative enterprises that meet the requirements of this Rulebook.
- (2) Support through this Instrument will be granted to projects with a clear commercial goal that are in the phase of a confirmed concept or in a prototype stage (or an appropriate phase depending on the type of innovative product, service, process) to pre-commercial (pre-market) phase.
- (3) This Instrument provides support for research and development projects that include the following types of investment activities:
 - development of technical and technological aspects in the development and introduction of new products or services;
 - significant improvement of existing products or services;
 - making new fashion collections;
 - production of industrial design or redesign of products;
 - production of new packaging;
 - preparation of marketing plans (market analysis, competition, product research, sales, etc.); and
 - improvement of the existing or introducing a new production process.

General conditions for co-financing by the Fund through this Instrument

Article 4

- (1) Through this Instrument, the Fund for Innovation and Technological Development (hereinafter: "**the Fund**") provides financing of **up to 70% (seventy percent)** of the total budget of an investment project, but not more than **20,000,000.00 Denars (twenty million Denars)** per applicant.
- (2) The project proposals may be submitted by an individual applicant or by a consortium run by an enterprise that meets the eligibility criteria provided by this Rulebook.
- (3) An individual applicant may conclude a cooperation agreement (sub-contract for services) for research and development with institutions that perform higher education and/or scientific and research activities from the country and abroad or from another enterprise.
- (4) In the case of a project proposal submitted by an individual applicant, which includes a contract for cooperation for research and development, the rights and obligations of the applicant and the higher education and / or scientific and research institution should be regulated in the cooperation agreement.
- (5) All persons who are Affiliates to each other and who apply as individual applicants within the same public call from the Fund, shall be considered as one applicant and the restriction referred to in paragraph (1) of this Article shall apply to all of them together.
- (6) Eligible for funding through this Instrument are project proposals from all sectors, except for:
 - production, trade or other activities that are illegal according to the laws of the Republic of Macedonia,
 - production and trade with tobacco, distilled alcoholic beverages and related products,

- production and trade in weapons and ammunition of any kind,
- casinos and other companies for organizing games of chance and other entertainment games,
- research, development or technical requirements relating to electronic data, programs or solutions that relate to: a) support to any activity that is included in the sectors of the above; b) Internet gambling and online casinos, or c) pornography
- research, development or technical requirements relating to electronic data, programs or solutions that are intended to enable: a) to enter the electronic data and networks and / or b) illegally downloading electronic data
- natural scientific research, development or technical applications relating to human cloning for research or for therapeutic purposes; and / or for genetically modified organisms (GMOs).

General Conditions for the Applicant's Co-Financing in Connection with this Instrument

Article 5

- (1) If the Fund decides to support the Applicant's project proposal through this Instrument, the Applicant is obliged to provide its own co-financing of at least 30% of the total project budget.
- (2) Funds received from the Fund on any other basis, as well as funds received on the basis of any other state aid, shall not be considered as eligible co-financing funds by the applicant.

Duration of the project

Article 6

- (1) The duration of the project financed through this Instrument can be up to 24 (twenty-four) months.
- (2) The Fund may approve the extension of the duration of the project up to 3 (three) months based on justified circumstances.
- (3) In case of extension of the duration of the implementation of the project, the amount of the granted financial support can not be increased.

Eligibility criteria of the applicant

Article 7

- (1) The eligibility criteria to be fulfilled by an individual applicant shall be:
 - 1) to be a trade company established in accordance with the Law on Trade Companies and registered in the Central Registry of the Republic of Macedonia,
 - 2) to have no bankruptcy procedure or liquidation procedure initiated against it;
 - 3) to have paid all matured due liabilities arising from public duties and contributions;
 - 4) to have no enforcement procedures for collection of due monetary claims initiated against it;
 - 5) be with a predominantly Macedonian ownership structure (50.1% or more), i.e. 50.1% or more than the share capital of the Applicant should be owned by: (a) one or more natural persons who are citizens of the Republic of Macedonia and/or (b) one or more trade companies with a registered office in the Republic of Macedonia, and/or (c) one or more higher education or scientific - research institutions; the persons referred to in sub-point (c) of this item may hold up to 20% in the share capital of the Applicant, and
 - 6) to meet the requirements of the Law on State Aid Control and the conditions of Article 6 of the Regulation on the conditions and award procedure of horizontal assistance.

Eligible costs for financing

Article 8

(1) The following costs will be eligible for funding through this Instrument:

- gross salaries (for persons employed by the Beneficiary). The gross salary amounts for the staff engaged in the project should correspond to the established practices of the Beneficiary prior to the start of the project
- purchase or rental of equipment and consumables for research and development
- subcontracting research and development services (e.g. testing, laboratory services, etc.)
- engagement of experts / advisers for research and development
- engagement of consultants for other needs directly related to the expected results of the project (expertise related to innovation management,
- preparation and filing of a patent application, trademark protection and / or industrial design and other preparatory activities for registration and protection of intellectual property rights, intellectual and industrial property rights; and - marketing costs and office and business support in a maximum amount of 10% of the total project budget.

(2) Only costs incurred during the project in accordance with the approved project budget and realized by the end of the project are eligible for financing.

(3) Costs that are not eligible for financing through this Instrument are:

- costs for salaries, salary allowances and contributions for employees;
- costs for the procurement of goods, services and works of domestic public enterprises;
- costs for interest or debt to any party;
- expenses and provisions for past and probable future losses or debts;
- foreign exchange losses, commissions and penalties;
- expenses for hospitality and entertainment;
- expenses for staff recruitment (costs for publishing an advertisement, fees for employment agencies, costs related to selection of candidates, etc.) and resettlement expenses;
- cash payments from the special purpose project account;
- salary supplements;
- costs of consultancy services provided by the owner(s) of the Beneficiary;
- rental of business premises by a lessee who participates in the activities of the project or is an Affiliate of the Beneficiary;
- costs for realization of activities previously financed by other sources;
- purchase of second-hand equipment; and
- value added tax (VAT) for procurements referred to in paragraph (1) of this Article.

(4) The list of costs referred to in paragraph (3) of this Article shall not be exhaustive.

II. APPLICATION PROCESS

Public call

Article 9

(1) The financial assets under this Instrument shall be awarded on a competitive basis upon a public call.

(2) The public call shall be published in at least two public media and on the website of the Fund.

(3) The deadline for submitting the project proposals shall be up to 60 (sixty) days after the publication of the public call by the Fund.

(4) The total budget of each public call is determined by the Fund in accordance with the Annual Work Program of the Fund and / or the Medium-Term Program of the Fund.

Contents of the Public Call

Article 10

(1) The public call must contain the following information:

- data for the body that publishes the call;
- date of publication of the public call;
- the manner of submitting the project proposal and the accompanying documentation;
- deadline for submitting the project proposal;
- a brief description of the Instrument, including the eligibility criteria of the Applicant, the activities and costs eligible for funding;
- the total budget for the call;
- contact information; and
- other elements necessary for the realization of the public call.

(2) All the above data must be contained in the full public call published on the website of the Fund. An abbreviated version will be prepared for the public call published in public media.

Application

Article 11

(1) When applying for financing through this Instrument of the Fund, the following documents must be submitted:

1. Project documentation (containing the template for the project proposal, available on the web site of the Fund):

- properly completed project application form (signed and stamped by the authorized representative of the applicant, that is, the representative of the consortium);
- duly filled out project budget form (signed and stamped by an authorized representative of the applicant, that is, the representative of the consortium);
- statement by the applicant for acceptance of the Fund's terms (signed and stamped by the authorized representative of the applicant, that is, the representative of the consortium); and
- duly filled out environmental questionnaire (signed and stamped by the authorized representative of the applicant, that is, the representative of the consortium).

2. Documentation related to the Applicant, that is, the representative of the consortium:

- short biographies of the main persons engaged in the project (maximum of five persons);
- current status extract from the Central Registry of the Republic of Macedonia, not older than 1 (one) month for the Applicant, that is, the representative of the consortium;
- Balance Sheet and Income Statement for the Applicant, that is, the representative of the consortium, for the year preceding the year when applying for financial support; and
- List / Confirmation of the number of employees of the Applicant / the representative of the consortium)

- (2) The project application, the project budget and the biographies should be submitted in Macedonian and in English language.
- (3) The remaining documents related to the applicants should be submitted in Macedonian language only.
- (4) The project documentation shall be compulsorily submitted to the forms prepared by the Fund.
- (5) In case the project is based on already existing intellectual property rights, the Applicant is obliged, together with the project documentation, to submit proof of the right to use intellectual property in the form of a licensing agreement, non-monetary contribution agreements or other type of contract which confirms that the Applicant has the right to use the intellectual property on which the results of the project are based.
- (6) The Applicant may not consciously or deliberately infringe upon the intellectual property rights of any third party.
- (7) All intellectual property rights and "know how" that will be created during the implementation of the project and / or as a result of the implementation of the project belong to the Beneficiary and, if applicable, the Beneficiary should protect the intellectual property rights.
- (8) Notwithstanding paragraph (7) of this Article, in the case of a project proposal that includes a cooperation agreement with a higher education and / or scientific research institution, or in the case of a project proposal submitted by a consortium of applicants where as a member of a consortium a high education and / or scientific research institute, the intellectual property rights related to the project should be clearly regulated in the cooperation agreement or the consortium agreement.
- (9) The Fund shall not be responsible for disputes relating to intellectual property rights between the Applicant / the Beneficiary of Financial Support and third parties.
- (10) Any project proposal submitted to a public call for awarding funds to the Fund must be in accordance with the regulations for protection of the environment and reduction of pollution in force in the Republic of Macedonia.
- (11) The Fund reserves the right, if necessary, to request other documentation from the applicants.

Additional Documentation

Article 12

- (1) In the event that the Applicant is granted financing through this Instrument, prior to signing the Contract for Awarding Funds, the Applicant shall also submit to the Fund:
 - contracts with third parties of significance for the implementation of the project;
 - statement on the accumulation of state aid in the last three fiscal years (if applicable);
 - signed and stamped Environmental Management Plan (if applicable, i.e. if the project proposal is categorized with a medium risk by an environmental expert); and
 - information about an open special account for the project.
- (2) The Fund reserves the right, if necessary, to request other documents from the Applicant, who is required to submit it as soon as possible.

III. EVALUATION

Criteria for evaluation of project proposals

Article 13

The main criteria for evaluation of projects and allocation of funds through this Instrument are:

- Degree of innovation;
- Quality of the project
- Capacity of the project team
- Market potential; and
- Impact.

The main criteria and sub-criteria for evaluation of projects are given in the Form of the Evaluation Table.

Administrative check

Article 14

(1) In order to determine whether the project proposal is complete and in accordance with the eligibility criteria listed in the public call and this Rulebook, a commission (or commissions) for administrative review of the submitted project proposals is established. The commission (or commissions) shall consider each project proposal separately.

(2) The Commission for administrative review of received project proposals shall be established by the Director of the Fund or a person authorized by the Director of the Fund, and shall consist of at least two employees of the Fund.

(3) When reviewing the project proposals, the Commission for administrative review shall be guided by the Document for the administrative check of the project proposals.

(4) Upon completion of the administrative review of the project proposals, the Commission for administrative review shall draw up minutes.

(5) If a project proposal is incomplete, i.e. the Applicant has not submitted the required documentation when applying according to this Rulebook or has an incorrectly filled out the Project Budget, the Commission for Administrative Review shall electronically inform the Applicant and provide the Application with the opportunity to file additionally, within 5 (five) working days, electronically or in the archive of the Fund missing documents and / or submit the corrected Project Budget. In the event of additional delivery of documents, changes in the Project Application or in the Project Budget that are not requested by the Fund are not permitted.

(6) If the Applicant fails to submit the missing documents within the additional 5 (five) working days or if the Applicant does not meet the eligibility criteria set out in this Rulebook, the Commission for administrative review shall note in the minutes that the project proposal is incomplete, that is, that the Applicant is ineligible and that it will not be evaluated by the evaluation experts and by the Committee.

(7) The minutes referred to in paragraph (4) of this Article, together with the completed documents for administrative check of the project proposals, shall be prepared by the Commission for administrative review.

(8) All project proposals submitted on time, which are complete and which meet the eligibility criteria for applicants, the Commission for administrative review sends them for evaluation at the pre-selection stage in accordance with the procedure referred to in Article 15 of this Rulebook.

(9) In addition to the minutes, the Commission for administrative review prepares a table of all submitted project proposals, which contains the following data:

- name of the applicant / representative of the consortium
- ownership structure of the applicant / representative of the consortium; and

- authorized person (manager / director) of the applicant / representative of the consortium.

(10) The Commission shall submit the table referred to in paragraph (9) of this Article to the employees of the Fund, the Director of the Fund, the members of the Management Board of the Fund, the Evaluation Experts and the members of the Committee for approval of investments in order to determine a potential conflict of interests in accordance with the Law on Prevention of Conflict of Interest.

(11) In case one of the Evaluation Experts identifies a conflict of interest, he is obliged to inform the Fund as soon as possible. The Fund will exclude such a person from the evaluation process (in the pre-selection phase) of that project proposal and will appoint another appropriate expert in his place.

(12) In case a member of the Committee identifies a conflict of interest, he / she is obliged to inform the Fund as soon as possible, after which it will be excluded from the evaluation process (at the selection stage) of that project proposal.

(13) In case more members of the Committee identify a conflict of interest in relation to a particular project proposal and it a project cannot be evaluated Early of at least 3 (three) members of the Committee, the project will be discontinued from further proceedings and will not be evaluated.

Evaluation process

Article 15

(1) The consideration of the project proposals takes place in two phases: the pre-selection phase and the selection phase.

(2) The pre-selection phase is carried out by the Evaluation Experts. Each project proposal will be evaluated at this stage by two experts from the areas that correspond to the evaluation criteria, that is, with the objectives of the Instrument and one person from the area that corresponds to the project proposal.

(3) The selection phase is carried out by the Committee for Approval of Investments, which makes the final decision on funding through this Instrument.

(4) At least three members of the Committee shall participate in the selection phase.

Pre-selection phase

Article 16

(1) During the pre-selection phase, Evaluation experts appointed by the Fund have an obligation to fill in the Evaluation Table for each of the awarded project proposals and provide expert opinion and evaluation of the project proposals within the deadline from (7) seven working days from the day of receiving the project proposals.

(2) During the pre-selection phase, the Evaluation Experts have the right to ask additional questions for applicants and project proposals that will be checked by the employees of the Fund. The Director of the Fund appoints persons who provide the necessary additional information through field visits to the applicant, communication with the key persons of the project proposal and / or administrative examination of information. The designated persons are obliged to provide the necessary information within the deadline previously determined by the Director of the Fund.

(3) The total number of points won for each project proposal is determined as the average of the evaluations received from the Evaluation Experts assigned to evaluate that project proposal in the pre-selection phase.

- (4) Every project proposal that has received 51 (fifty-one) points or more (out of a total of 100 (one hundred) points at the pre-selection stage) is transferred to the next selection phase.
- (5) Any project proposal that has received less than 51 (fifty-one) points (from a total of 100 (one hundred) points in the pre-selection phase) has been rejected for funding under this Fund Support Fund.
- (6) Any applicant whose project proposal has not received at least 51 (fifty-one) points, or whose project has not crossed in the selection phase, will be notified in good time about the results.

Selection Phase

Article 17

- (1) In the selection phase, each member of the Committee evaluates the project proposals that have passed the pre-selection phase and is obliged to fill out the Evaluation Table for each of those project proposals and evaluate them within the previously established determined by the Fund.
- (2) The members of the Committee shall have the right to ask in the selection phase additional questions for the applicants and the project proposal that will be checked by the Director of the Fund. The Director appoints persons who provide the necessary additional information through field visits to the applicant, communication with the key persons of the project proposal and / or administrative verification of information. The designated persons are obliged to provide the necessary information within the deadline previously determined by the Director of the Fund.
- (3) During the selection phase, the pre-selected project proposals are also considered by an environmental expert (s). The environmental expert is obliged to implement all necessary procedures for assessment of the pre-selected project proposals in accordance with the regulations for environmental protection valid in the Republic of Macedonia. The environmental expert is obliged to submit to the Fund a report on the categorization of the pre-selected project proposals. The Fund will not finance projects categorized with high risk.
- (4) During the selection phase, the Fund may engage other persons as observers.
- (5) The assessments and expert opinions received from the Evaluation Experts, the categorization reports of the environmental expert and the reports on the additional information provided by the employees of the Fund shall be submitted to all members of the Committee who are obliged to take them
- (6) The total number of points won for each selected project proposal is determined as the average of the assessments from the Evaluation Experts obtained in the pre-selection phase and by each of the members of the Committee received at the selection stage.
- (7) Based on the points won, an indicative ranking list of selected project proposals shall be prepared.

Decision on Financing

Article 18

- (1) The final decision for financing of project proposals under this Instrument shall be taken by the Committee at a meeting held within a maximum of 60 (sixty) days from the last day of the deadline for submission of project proposals.
- (2) During the time at the meeting, the Fund can organize a presentation of the pre-selected project proposals. At this presentation, each applicant will briefly present his/her proposal project, and the members of the Committee have the right to ask questions in order to obtain additional information that will help them to make the decision.

- (3) The Committee shall make the final decision on financing during the holding of the public-voting meeting "FOR" or "AGAINST" the allocation of funds to a certain pre-selected project proposal. Funds for a pre-selected project proposal can be awarded only if at least three members of the Committee voted "FOR" the allocation of funds for that project proposal.
- (4) When making the financing decision, regard shall be had of the available budget for each public call. The Committee may make a decision to finance project proposals only within the established budget for the public call.
- (5) If the Committee adopts a decision that is contrary to the evaluation and the expert opinion prepared by the Evaluation Experts, it must contain a detailed explanation of the reasons for making such a decision.
- (6) If there are not enough project proposals approved for financing reported in public call for this Instrument, unused funds from the budget in the public call may be redeemed for another public call for this Instrument or funds up to 30% of the budget for a public call after this Instrument can be reassigned to another instrument of the Fund, in the same public call, if for the other Instrument there are more project proposals eligible for funding from the amount determined for that Instrument in the public call.
- (7) The unification of the comments on the project proposals that are rejected for funding in the selection phase is carried out by one member of the Committee, appointed by the Fund, who evaluated the project proposals.
- (8) Any applicant whose project proposal has passed the pre-selection phase will be notified of the results within 30 (thirty) days from the date of the final decision on funding by the Committee.
- (9) Applicants whose project proposals will not be approved for financing can apply for funding from the Fund up to three times with the same project proposal.

IV. AWARDING OF FUNDS

Concluding an Contract for Awarding Funds

Article 19

- (1) Applicants for which a decision on financing has been adopted shall sign a Contract for Awarding Funds within 30 (thirty) days from the date of adoption of the decision.
- (2) Notwithstanding paragraph (1) of this Article, the time limit referred to in paragraph (1) of this Article may be extended by the Fund in case there are well-justified reasons for this.
- (3) Before signing a Contract for Awarding Funds through this Instrument, the Beneficiary is obliged to open a special purpose bank account for the purposes of the project.
- (4) The Fund and the Applicant for which a decision on financing has been made shall conclude an Contract for Awarding Funds in the form and,
 - (1) All payments from the Fund and from the own co-financing of the Beneficiary will be realized on a separate bank account.
 - (2) The Fund pays the funds allocated by this Instrument Advance on a quarterly basis, in accordance with the Project Budget, the Contract for Awarding Funds and the provisions set out in this Rulebook.
 - (3) The Beneficiary pays funds from his own funding in accordance with the Project Budget and the provisions specified in this Rulebook.

(4) The Fund shall pay the funds allocated by this Instrument for the first quarter after the signing of the Asset Allocation Agreement, once the Beneficiary has submitted to the Fund evidence of the payment of its own co-financing for the first quarter in the form of a bank account from.

(5) The Fund pays the funds allocated by this Instrument for each subsequent quarter after the following conditions are met: - quarterly progress report for the previous quarter (descriptive part and financial part), - at least 70% spent (seventy percent)

(6) Since the last payment to the Beneficiary through this Instrument, the Fund retains 5% (five percent) of the total budget of the project

(7) The procedure for payment of the retained funds referred to in paragraph 6 of this Article shall be started within 14 days from the date of approval of the Final Project Report (descriptive and financial part).

(8) In case of unspent funds and / or in case of misuse, the appropriate amount of the retained funds will not be paid to the Beneficiary.

V PROJECT IMPLEMENTATION

General rules for implementing the project

Article 21

(1) The Beneficiary is obliged to implement the project in accordance with the conditions prescribed in this Rulebook and in the Contract for Awarding Funds Redstone, and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices and in accordance with the laws and bylaws in the Republic of Macedonia.

(2) The Beneficiary is obliged to implement the project effectively and efficiently, in accordance with the project application and the project budget.

(3) The Beneficiary is obliged to maintain financial-accounting records in accordance with the accounting standards and in the manner most appropriate for the project activities, the available resources and costs related to the project and will prepare financial reports to the Fund in accordance with cash accounting, clearly posing the documents on the cost incurred and the payments for the quarter they refer to, in a manner that corresponds to the activities, resources and costs associated with the project.

Purchase of goods, services and works

Article 22

(1) Every supply of goods and services The Beneficiary is obliged to make the following in accordance with the following acceptable commercial practices:

- When implementing the procurement stipulated in the project, the Beneficiary should consider the economic need, efficiency, transparency and duration of the procurement procedure, as well as the quality of the purchased goods and services.
- For the procurement of goods, services or works exceeding 10.000,00 (ten thousand) Eurosm the Beneficiary should conduct a procedure by collecting at least three bids. Prior to the adoption of the final decision on the selection of the most favorable supplier, the Beneficiary is obliged to submit to the Fund at least three bids.
- In well-justified cases, procurements may be conducted without a tender procedure after prior approval by the Fund.

(2) Where applicable, the agreements between the Beneficiary and third parties should include provisions relating to the protection of intellectual property, prevention of conflicts of interest, audit and environmental impact.

Promotion

Article 23

(1) During the implementation of the project, the Beneficiary is obligated all promotional to mark all materials for the project with the logo and the name of the Fund and to clearly point out that the project is implemented with financial support from the Fund.

(2) The equipment purchased through the project funded by the Fund must be clearly marked with the logo of the Fund, as well as with the note: "*Supported by the Fund for Innovation and Technological Development of the Republic of Macedonia*".

(3) If the Beneficiary has a website, he/she shall be obliged to publish brief information on the financial support provided by the Fund. If the Beneficiary publishes or gives a media statement about the project, it should mention the support provided by the Fund.

Change of the project and the reallocation of the budget from the project

Article 24

(1) Any change to the project should be justified in the direction of reaching of expected project results.

(2) The beneficiary is obliged to realize the costs with the dynamics and within the amounts shown in the project budget. The beneficiary has the right to transfer funds in the total amount of 5% (five percent) of the total project budget for the entire duration of the project in order to achieve the expected project results.

(3) Any change to the Project Application (for example, changes in the Action Plan, key people of the project, etc.) and the Project Budget (in the case of the Project Plan) an amount higher than 5% (five percent), should be previously approved by the Fund, based on a request submitted by the Beneficiary with the revised Project Budget.

(4) In the case of reallocations of funds approved by the Fund, the Beneficiary shall be obliged to realize the costs in accordance with the revised Project Budget.

Retention of Documentation

Article 25

(1) The Beneficiary is obliged to keep the entire project documentation from starting the implementation of the project. The mandatory documentation of the project contains:

- project documentation and documentation related to the Beneficiary;
- all official documents of communication between the Beneficiary and the Fund during the application period;
- notice for awarding funds;
- Contract for Awarding Funds;
- all official documents during the project implementation period and during the reporting obligation;
- original copies of all reports submitted to the Fund;
- notifications for the approval of reports submitted to the Fund;
- original copies of all invoices; and - any other document and including agreements with third parties and other evidence of payment related to the project.

(2) The Beneficiary is obligated to keep the documentation referred to in paragraph (1) of this Article for at least 10 years.

(3) All information on the contracts and procurement related to the project should be available for insight to the employees of the Fund and / or persons authorized by the Fund.

Change of the ownership structure of the Beneficiary

Article 26

(1) In case of a planned change of the majority owner structure (over 50.1% ownership) and / or planned change in the majority Macedonian ownership structure (over 50.1% of the ownership) of the Beneficiary, the Beneficiary should obtain prior approval from the Committee to implement such a change. This obligation does not apply in the event of the death of the owner / co-owner and / or shareholder and the implementation of the inheritance procedure.

(2) In the case of a planned change in the ownership structure that does not represent a change in the majority ownership, the Beneficiary is obliged, in the event of a planned change in the ownership structure, which is not a change in the majority ownership, in the case of the request referred to in paragraph 1 of this Article, within 15 (fifteen) days from the registration of the change in the Central Registry of the Republic of Macedonia to notify the Fund. This obligation does not apply in the event of the death of the owner / co-owner and / or shareholder and the implementation of the inheritance procedure.

(4) The obligation of the Beneficiary to obtain approval from the Committee for changing the majority ownership structure and / or the majority Macedonian ownership structure of the Beneficiary aims to prevent attempts by third parties to take

(5) In the event of a change in the majority ownership structure (transfer of ownership stakes and / or shares), the control of the beneficiary takes place during the implementation of the project and for a period of 3 (three) years after the completion of the project (ii) the new owner of the Beneficiary should take over all legal obligations and responsibilities from the Contract for Awarding Funds and sign a statement of the continuation of the project and a confirmation of the timeframe with a declaration of commitment.

(6) If the Beneficiary intends to transfer them activities outside the country and / or the Beneficiary intends to transfer the right to ownership and / or the right to use the results of the project and / or the technology / products / services procured during the project outside the country to either.

(7) If, during the implementation of the project and for a period of 3 years after the completion of the project, a termination is planned for the operation the Beneficiary is obliged to inform the Committee in writing about it before approving the termination of the operation. In case when a proposal for initiating a bankruptcy procedure against the Beneficiary is made, the Beneficiary is obliged to notify the Committee thereof within 5 (five) days of the finding of such a proposal. In these cases, the Fund reserves the right to require the Beneficiary to return 100% of the amount of the funds awarded under the Contract for Awarding Funds, including penalty interest in accordance with the Law on Obligations from the due date to the day of collection.

Statutory changes to the Beneficiary

Article 27

(1) In the event of a planned status change of the Beneficiary (acquisition, merger, division), the Beneficiary is obliged to request prior approval from the Committee in order to implement such status change.

(3) If the Committee approves the planned status change of the Beneficiary (acquisition, merger, division), the legal successor of the Beneficiary (the company to which the Beneficiary is obligated) are right the company with which the Beneficiary merged, or the companies that emerged from the distribution of the Beneficiary) will assume the rights and obligations stipulated in the Contract for Awarding Funds concluded between the Beneficiary and the Fund and will be obliged to sign the Annex to that Contract for Awarding Funds within the deadline (15) days after the registration of the status change in the Central Registry of the Republic of Macedonia.

(4) The obligation of the Beneficiary to request approval by the Committee for changing the status of the beneficiary lasts during the implementation of the project and for the 3 years after the completion of the project.

(5) If, during the implementation of the project and for a period of 3 years after the completion of the project, the legal successor of the Beneficiary intends to terminate or liquidate or transfer the operations of the Company outside the country and / or intends to convey the right of ownership and / or the right to use the results of the project and the technology / products / services procured during the project outside the country in any way, the legal successor of the Beneficiary is obliged to inform and the Fund and request prior approval by the Committee in accordance with the Contract for Awarding Funds.

(6) In order to control possible changes in the dominant ownership structure, the dominant Macedonian ownership structure and / or status change, the Fund may at any time request the Beneficiary to submit a new current situation from the Central Registry of the Republic of Macedonia, not older than 8 (eight) days.

VI. SUPERVISION, MONITORING AND EVALUATION OF PROJECT RESULTS

Supervision

Article 28

(1) The purpose of the supervision is to monitor the progress of the project and the implementation of the planned activities, to verify that the realized costs are in accordance with the approved Project Budget for the given period and in accordance with the procedures of the Fund, as well as to assess the achieved results after the completion of the project.

(2) The methods of supervision include:

- reviewing and approving reports submitted by the Beneficiary;
- field visits to the Beneficiary;
- Evaluation of the realized project results and business and financial analysis.

(3) The supervision shall be performed by monitoring teams appointed by the Director of the Fund and / or audit experts appointed by the Director of the Fund.

Reports

Article 29

(1) The Beneficiary is obliged to submit reports to the Fund as follows:

- Quarterly Progress Reports part and financial part) which the Beneficiary is obliged to submit for the duration of the project within 14 (fourteen) days after the expiration of the last calendar day of the quarter.

- Final report (descriptive part and financial part) which the Beneficiary is obliged to submit it within 60 (sixty) days following the last calendar day of the project; and
- In the next 3 (three) years after the completion of the project, by 31 March of the current year at the latest, submit a copy of the Balance Sheet and the Income Statement of the Beneficiary for the reporting year submitted to the Central Registry of the Republic of Macedonia.

(2) The quarterly reports and the final report shall be completed in forms prepared by the Fund.

(3) The reports shall be reviewed by the monitoring teams and / or audit experts appointed by the Director of the Fund. In the event of identified irregularities in the notification that can be corrected by the Beneficiary, the Fund shall inform the Beneficiary about the identified irregularities with a request to eliminate the irregularities and submit a revised report.

(4) In the event that the report is duly completed and submitted, the Fund shall approve the report and submit it to the Registrant.

(5) The monitoring team has the right to ask the Beneficiary to request additional information and documents related to the reports, as well as to make a field visit to the Beneficiary in order to check the information provided in the reports.

Visits

Article 30

(1) The Fund shall supervise the implementation of the project and through field visits to beneficiaries that will be conducted by monitoring teams appointed by the Director of the Fund and / or audit experts appointed by the Director of the Fund.

(2) The monitoring teams mandate at least one terrain a trip on the project within 12 months. The Fund has the right to conduct more field visits if necessary.

(3) Field visits include visits to the beneficiary's business premises and meeting with the key people of the project in order to oversee the implementation of the project (eg adherence to the procedures, achievement of the expected results, adherence to the timeframe, adherence to the provisions of the Contract for Awarding Funds, etc.).

(4) The field visit will be announced. The follow-up team sends to the Beneficiary a prior notification of a field visit containing details of the location, the time of the visit, the persons to be present, the documentation and the purchased equipment that should be available for inspection. The notification for conducting a field visit shall be submitted at least 7 (seven) days prior to the visit.

(5) For the conducted field visit, the monitoring team shall compile a report from the conducted field visit containing the data on the visit, the persons attending the field visit, the documentation that has been checked, the remarks identified by the team, the identified irregularities, the guidelines and deadlines for elimination of possible irregularities, etc.

(6) The monitoring team to the Beneficiary shall submit the report from the conducted field visit. In case of established irregularities, the Beneficiary is obliged to take measures in accordance with the guidelines and deadlines specified in the notification. The Fund shall not make payments of the funds allocated under this Instrument for the following quarter until the Beneficiary eliminates any irregularities ascertained with the minutes.

Acting in case of identified irregularities

Article 31

- (1) During the implementation of the projects, the monitoring teams shall determine if irregularities may be able to override their powers, may submit a proposal to the Director to convene a meeting of the decision-making committee on the identified irregularities.
- (2) During the implementation of the projects, audit experts may be included in the monitoring in accordance with the Rulebook on the manner of involvement and operation of audit experts in the work of the Fund for Innovation and Technological Development and the provision of expert opinion.
- (3) Upon completion of the project, expert auditors may be engaged for evaluation of the results and / or in-depth business and financial analysis of the funded projects in accordance with the Rulebook on the manner of involvement and operation of the experts for the role is in.
- (4) The expert for audit referred to in paragraph (2) and paragraph (3) of this article shall be obliged to consider the project documentation, to conduct a field visit with the Beneficiary (if the it is necessary) to submit a report and expert opinion to the Fund within 14 working days from the date of obtaining the documentation.

Obligation of the Beneficiary to cooperate with the Fund

Article 32

- (1) The Beneficiary is obliged to adhere to the procedures and to enable the Fund to perform easy supervision over the implementation of the project.
- (2) The Beneficiary shall be obliged to enable the Fund or persons authorized by the Fund at any time to conduct an in-depth analysis of the implementation of the project, its activities and achieved results, as well as to audit the project and financial documentation related to the project. The Beneficiary is obliged to prepare and submit relevant documents related to the project to the Fund upon his request.

VII. TERMINATION OF FINANCING AND TERMINATION OF THE CONTRACT FOR AWARDING FUNDS

Conditions for termination of financing and termination of the Contract for Awarding Funds

Article 33

- (1) The Fund has the right to terminate the financing and / or the Contract for Awarding Funds, as well as to terminate the Contract for Awarding Funds, in whole or in part, in case of fraud and breach of the obligations under the Contract for Awarding Funds and / or the provisions of this Rulebook, and in particular in the following cases:
 1. If the Beneficiary does not use the approved funds financially Ischia means, including reallocation of funds rate higher than the specified percentage of funds from the total budget of the project under Article 24 (3) of this regulation without prior approval by the Fund;
 2. If the Beneficiary with an intention of fraud gives inaccurate data during the grant procedure and for the duration of the Contract for Awarding Funds that have a material impact on the project;
 3. If the Beneficiary does not introduce appropriate policies and procedures that will enable the Fund to supervise and evaluate the progress of the project;
 4. If the Beneficiary at the request of the Fund does not allow audit by an independent auditor and / or audit expert appointed by the Fund;
 5. If the Beneficiary fails to provide the Fund / or persons designated by the Fund, to inspect the implementation of the project, its activities, the achieved results and all relevant project documents, or the accounts and / or to provide the same to the Fund at its request;

6. If the Beneficiary fails to notify the Fund of any significant change with material impact on the project;
7. On the basis of a request from the Beneficiary or the monitoring team, if due to an inevitable hindrance from a technical or market point of view, the future results of the project are questioned.
8. If the Beneficiary does not request approval for a status change and / or change in the dominant ownership structure and / or the dominant Macedonian ownership structure in order to prevent any attempt to establish third-party control over the Beneficiary.
9. If the Beneficiary does not comply with the provisions of Articles 26 and 27 of this Rulebook in the event of an approved status change and / or change in ownership structure.

Decision on Temporary Termination of Financing

Article 34

- (1) In the event of any of the circumstances occurring of Article 33 of this Rulebook, the Fund reserves the right to make a decision on temporary suspension of financing, and / or request the return of part or all of the financial resources paid to the Beneficiary up to that moment.
- (2) The Fund, simultaneously with the decision for temporary suspension of financing, sends a written notification to the Beneficiary, informing him about the violations of the Contract for Awarding Funds, requesting the Beneficiary to remove the violations within 14 (fourteen) days from the receipt of the notification.
- (3) Upon a request by the Beneficiary, the Fund Director may authorize the Beneficiary additional 30 (thirty) days for removing the violations.
- (4) In case the Beneficiary exceeds the identified violations within the deadlines referred to in paragraph (2) and paragraph (3) of this Article, the Director of the Fund shall take a decision to withdraw the temporary suspension of financing.
- (5) In the event that the Beneficiary does not remove the identified violations within the deadlines referred to in paragraph (2) and paragraph (3) of this Article, the Director shall submit information and a proposal to the Committee, which will decide whether the contract will be terminated.

Termination of the Contract for Awarding Funds

Article 35

- (1) In case of occurrence of any of the circumstances referred to in Article 33 of this Rulebook, the Fund reserves the right to terminate the contract and / or request the refund of part or all of the funds paid to the Beneficiary until that moment.
- (2) The decision for termination of the Contract for Awarding Funds and the financing is made by the Committee.
- (3) In the event of termination of the contract, the Beneficiary shall be obliged to return to the Fund the entire amount of the loan thrown out of the Beneficiary's Fund, and in particular in cases concerning the conditions referred to in Article 33, paragraph 1, indents 2, 4 and 5, the Fund reserves the right to claim damages.
- (4) If the Funding Contract is terminated for any reason covered by Article 33 and the allocated funds are not spent, the Beneficiary shall be obliged to return to the Fund the entire unspent amount of funds no later than 8 (eight) days from the day when the Fund requests it, otherwise it falls due and the same

amount may be obliged to pay legal penalty interest in accordance with the Law on Obligations as of the day of the delay until the final payment.

(5) In the event of the occurrence of the conditions referred to in Article 33, paragraph 1, line 7 of this Rulebook, the Beneficiary shall be required to submit documentation to the Fund and request the termination of the project and the financing. Consequently, the Committee will determine whether there is justification of the evidence of the existence of an inevitable hindrance that puts in question the future results of the project and will make the appropriate decision. If the Committee decides that the conditions referred to in Article 33, paragraph 1, line 7 of this Rulebook have been fulfilled, the Beneficiary shall not be obliged to return the allocated funds.

(6) The Fund shall have the right to request penalty interest, compensation for damages and to initiate an appropriate procedure for collecting the claims from the Beneficiary in accordance with the conditions stipulated in the Contract for Awarding Funds and in this Rulebook, as soon as possible, if the Beneficiary fails to fulfill the conditions stated in paragraphs (3), (4) and (5) of this Article, in order to make full repayment of the already paid means to the Beneficiary.

VIII. FINAL PROVISIONS

Article 36

For all matters not regulated by this Rulebook, the provisions of the laws and regulations of the Republic of Macedonia shall apply.

Article 37

This Rulebook shall enter into force the following day after its publishing on the announcement board of the Fund, and it shall be published after consent from the Government of the Republic of Macedonia is received.

No. _____
Skopje, _____

Chairman of the Management Board of the
Fund for Innovation and Technological Development
Monika Jovanova