

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, 190/16 and 64/18), the Managing Board of the Fund for Innovations and Technology Development, at the session held on 11.02.2019, adopted the following

RULEBOK

for the Support Instrument – Co-financed Grants for Commercialization of Innovations

Article 1

This Rulebook regulates the detailed criteria for awarding funds through the support instrument Co-financed Grants for Commercialization of Innovations, as well as the manner of awarding funds, the content of the public call for awarding funds, the manner of evaluation of the submitted applications, the manner of promotion, as well as other procedures related to the awarding of funds under this instrument.

I. BASIC CHARACTERISTICS

Article 2

The aim of the support instrument Co-financed Grants for Commercialization of Innovations (hereinafter referred to as “the Instrument”) is to encourage increased activities for research and development in the private sector, to encourage cooperation within the private sector and between the private sector and the higher educational and scientific institutions, as well as other forms of collaboration for commercialization of innovations.

Article 3

The instrument is intended for micro, small and medium-sized enterprises and private healthcare institutions (here inafter reffered to as “PHI”) that intend to develop an innovative product, service or process either on their own or in collaboration with another enterprise, higher educational institution or scientific-research institution or PHI. The instrument offers financial support for enterprises and PHI registered in the Republic of Macedonia in order to develop and implement innovative solutions, including support for enterprises and PHI that have high growth potential.

The support through this instrument shall be granted to projects with a clear commercialization objective, which are in the phase of prototype (or appropriate phase depending on the type of innovative product, service, process) up to pre-commercial (close-to-market) phase.

Article 4

Under this instrument, the Fund for Innovations and Technology Development (hereinafter referred to as “the Fund”) shall provide the following financial support:

- For micro and small-sized enterprises financing of up to 70% of the total project budget,

- For medium-sized enterprises financing of up to 60% of the total project budget and
- For PHI whose average number of employees is up to 50 people and whose annual income in the last two years does not exceed 2.000.000 euros in MKD counter value financing of up to 70% of the total project budget and
 - For PHI whose average number of employees is up to 250 and whose annual income in the last two years does not exceed 10.000.000 euros in MKD counter value, financing of up to 60% of the total project budget of the project.

Regardless of the size of the enterprise (micro, small or medium-sized enterprise), that is, the realized income / number of employees in the PHI, the maximum amount of financial support from the Fund can not exceed the amount of 325,000 Euros in MKD counter value according to the average exchange rate of the National Bank of the Republic of Macedonia on the day of payment.

The applicant shall provide the remaining amount of the total project budget.

Funds received from the Fund on any other ground or any other forms of state aid shall not be considered eligible funds for co-financing by the applicant.

A micro - sized enterprise is an enterprise where:

- The average number of employees, based on working hours, is up to 10 employees and
- The annual income in the last two years does not exceed 50.000 euros in denar counter value

A small - sized enterprise is an enterprise where:

- The average number of employees, based on working hours, is up to 50 employees and
- The annual income in the last two years does not exceed 2.000.000 euros in denar counter value

A medium – sized enterprise is an enterprise where:

- The average number of employees, based on working hours, is up to 250 employees and
- The annual income in the last two years does not exceed 10.000.000 euros in denar counter value

Article 5

In case of awarded funds in the form of a co-financed grant, upon successful commercialization, the revenue derived as a result of the project obtained from the sale of the product / service or any subsequent product / service based on the technology developed in the frames of the project financed by the Fund, shall become the basis for payment of royalty towards the Fund.

Each royalty payment shall be made at the rate of 5% of the annual revenue of the beneficiary, generated from sales of the product / service derived from the project, up to a return of 120% of the amount paid by the Fund or for a period of five years after the completion of the project, depending which condition is

achieved first.

The royalty amount shall be calculated annually in the current year for the previous year, and shall be paid by the beneficiary to the Fund no later than on March 31st in the current year for the previous year.

Article 6

The duration of the project for which funds are awarded under this instrument can be up to 24 (twenty-four) months.

The Fund, based on justified circumstances may approve extensions of the project's implementation, for up to two months.

Any extension of the project's implementation longer than the period from paragraph 2 of this article shall be approved only with a decision adopted by the Committee for Approval of Investments.

Under justified circumstances, the duration of the project's implementation may be extended for additional 12 (twelve) months at most, after previously obtained approval in accordance with paragraph 3 of this article.

In case of an extension of the duration of the project's implementation, the amount of the awarded grant may not be increased.

II. ELIGIBILITY CRITERIA

Article 7

Project proposals from all industries are eligible for financing, except for:

- Production, trade or service activities that are not in accordance with laws;
- Production and trade with tobacco, distilled alcoholic beverages and related products (beverages containing alcohol, but not exclusively obtained by distillation, but naturally distilled alcohol (obtained from different, but natural origin) may be used for their production by giving different plant or other products, whereby through maceration, cupage (mixing), flavoring, coloring, aging, etc., various alcoholic beverages are produced, in which the content of ethyl alcohol content is usually higher than 15%, and may include different types of liqueurs and cocktails, and etc.);
- Production and trade with weapons and ammunition of any kind;
- Casinos and other legal entities 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 abovementioned sectors, line 2, 3 and 4 of this article;
 - b) online gambling and online casinos, and/or
 - c) pornography;

- Natural scientific research, development or technical applications relating to human cloning for research or for therapeutic purposes; and / or for genetically modified organisms (GMOs);

Project proposals may be submitted by an individual applicant or by a consortium led by an applicant.

Collaboration between the private sector and higher education i.e. scientific-research institutions or other forms of collaboration for commercialization of innovation shall be considered as an advantage in the project proposal.

Article 8

The eligibility criteria that the applicant has to meet are:

- 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 or a private healthcare institution, founded in accordance with the Law on Institutions and registered in the Central Registry of the Republic of Macedonia;
- To be a micro, small or medium-sized enterprise or private healthcare institution (of up to 250 employees);
- To be with majority Macedonian ownership structure (50.1% or more)
- To be in ownership of a physical person/s and / or micro, small or medium-sized enterprise (with a Macedonian majority ownership structure of 50.1% or more) and / or higher education or scientific research institution (of up to 20% ownership structure), and in case of a PHI applicant, to be in ownership of a physical person and / or a legal entity whose annual incomes in the last two years do not exceed EUR 10.000.000 in denar counter value and the average number of employees is up to 250 employees and / or higher education or scientific research institution (Equity in the applicant by 20%);
- The annual income of the applicant does not exceed 10,000,000.00 (ten million) EUR, according to the financial statements for the previous two fiscal years;
- Not affiliated with another enterprise or PHI whose total annual incomes exceed EUR 10,000,000.00 in the previous two fiscal years, except in the case of a capital connection with a higher education or scientific research institution;
- No bankruptcy procedure or a liquidation procedure has been initiated against it;
- To have all matured due liabilities arising from public duties and contributions paid;
- Not to have initiated enforcement procedures for collection of due monetary claims against it;
- To meet the requirements of the Law on State Aid Control and the conditions of Article 6 of the Regulation on the Conditions and Procedure for granting Horizontal Aid;

Article 9

An individual applicant may conclude a collaboration agreement (subcontracting for services) for research and development with local or foreign institutions of higher educational and/or scientific-research, or another enterprise.

In the case of a project proposal submitted by an individual applicant, that 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 by the collaboration agreement.

The distribution of the rights and obligations, as well as the reallocation of the project budget should be

well argued in the project proposal.

Article 10

In case of project proposals submitted by a consortium, the project proposal should be submitted by a lead applicant on the behalf of the consortium.

The lead applicant shall meet the eligibility criteria listed in Article 8 of this Rulebook.

The following can be members of the consortium: a micro, small or medium-sized enterprises, PHI, higher education and scientific-research institutions from the country and abroad.

In case the project proposal submitted by a consortium of enterprises with different sizes, and/or PHI with different number of employees and revenues, the co-financing percentage will be determined according to the size of the enterprise i.e according to the PHI that has a higher income on annual level and higher number of employees, regardless of which enterprise or PHI is the lead applicant.

For example: In the case of a project proposal submitted by a consortium consisted of a micro and medium-sized enterprise the cofinancing percentage will be identical to the one that is valid for medium-sized companies i.e. (60% Fund / 40% applicant).

In the case of a project proposal submitted by a consortium, the right of commercialization of the results from the project should belong exclusively to the lead applicant.

Each consortium member shall meet the following eligibility criteria:

- To have no bankruptcy procedure or liquidation procedure initiated against it;
- To have all matured due liabilities arising from public duties and contributions paid;
- To have no enforcement procedures for collection of due monetary claims initiated against it;
- To meet the requirements of the Law on State Aid Control and the conditions of Article 6 of the Regulation on the conditions and procedure for granting horizontal aid;
- Not to be engaged in coal production;

The rights and obligations between the consortium members shall be regulated under a consortium agreement.

The distribution of the rights and obligations, as well as the distribution of the project budget shall be well argued in the project proposal.

If the project proposal submitted by the consortium is approved for financing, the Fund will sign an agreement for awarding funds with the lead applicant.

The lead applicant becomes the beneficiary of a co-financed grant awarded by the Fund and is responsible for the financial management of the awarded funds in accordance with the agreement for awarding funds.

Article 11

The funds granted from the Fund shall be used for development activities and for the implementation of the proposed innovation.

Activities eligible for financing are the following:

- Research and development activities;
- Testing activities;
- Activities related to the protection of intellectual property;
- Design;
- Development of pilot lines;
- Quality assurance activities and
- Marketing and sales activities (aimed at bringing innovation to investment readiness level and maturity for market take-up).

Article 12

Acceptable costs for financing under this instrument are:

- Gross salaries (for employees of the beneficiary and the consortium members). The amount of the gross salaries of the employees engaged in the project shall correspond with the established practices of the beneficiary before the start of the project;
- Procurement and / or rental of research and development equipment and supplies;
- Subcontracting services for research and development (e.g. testing, laboratory services, etc.);
- Engaging experts/advisors for research and development;
- Engaging consultants for other needs directly related to the expected results of the project (expertise related to innovation management, financial management, mobilization of funds and capital, business development, marketing, legal affairs, intellectual property protection, etc.);
- Preparation and submission of patent applications, protection of trade marks and / or industrial design;
- Marketing costs and
- Office and business support (rent of premises, office costs, bank fees, accounting services, hosting and other types of administrative assistance) in the maximum amount of 10% (ten percent) of the total project budget. The funds for office and business support are awarded on a quarterly basis, as a lump sum, for the budget lines for which there is evidence of expenditures.

Only costs incurred for activities carried out during the project's duration and which are in accordance with the approved project budget and rules and procedures of the Fund, are eligible for financing.

Costs that are not eligible for financing under this instrument are:

- Costs for the procurement of goods, services and work of domestic public enterprises;
- Costs for payment of interest or debt to any party;
- Expenses and provisions for past and probable future losses or debts;
- Losses realized as a result of foreign currency exchanges, fees and penalties;
- Entertainment and hospitality expenses;
- Expenses for staff recruitment (costs for publishing an advertisement, fees for employment agencies, costs related to the selection of candidates etc.) and resettlement expenses;

- Purchase of land or buildings, including any renovation;
- Cash withdrawals from the special purpose project account;
- Export activities (costs directly related to product export activities, the establishment and operation of a distribution network or similar or to other current costs of the enterprise linked to the export activities);
- Annual fees for patent maintenance (except for well justified cases assessed as permissible expenses in the evaluation of project proposals);
- Salary allowance;
- Costs for consulting services provided by the owner/s of the beneficiary;
- Rental of business premises by lessor who participates in the activities of the project or is Affiliate to the beneficiary;
- Procurement of freight transport vehicles by enterprises performing freight road transportation for a lease or a compensation;
- Procurement of passenger vehicles (with the exception of well justified cases assessed as permissible expenses in the evaluation of project proposals);
- Procurement of second-hand equipment;
- Value added tax (VAT) for all purchases from paragraph 1 of this Article;

Costs for implementation of activities that have previously been funded by other sources are also not eligible for funding.

Article 13

If the project is based on already existing intellectual property rights, the Applicant is obliged, together with the project proposal, to submit proof of the right to use intellectual property rights in the form of licensing agreements, in-kind contribution agreements or any other type of agreements confirming that the Applicant is entitled to use the intellectual property, on which the results of the projects are based.

The Applicant may not consciously or deliberately infringe upon the intellectual property rights of any third party.

In case the project proposal does not involve a cooperation agreement with a higher education and/or scientific-research institution or a consortium agreement where the member of the consortium is a higher education or scientific-research institution, all intellectual property rights and know how-which that shall 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 shall protect the intellectual property rights.

If the project proposal involves a co-operation agreement with a higher education and/or scientific-research institution or consortium agreement where the member of the consortium is a higher education or scientific-research institution, the intellectual property rights shall be clearly regulated in the cooperation / consortium agreement. The right for commercialization of the intellectual property rights shall belong solely to the beneficiary.

The Fund shall not be responsible for any disputes related to the intellectual property rights between the applicant/beneficiary and third parties.

III. APPLICATION PROCESS

Article 14

The funds under this instrument shall be awarded on a competitive basis through a public call.

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

The deadline for the submission of the project proposals shall be set between 30 and 90 days from the day of publication of the public call.

The content of the public call is determined in the Rulebook on the Management of the Support Instruments of the Fund for Innovations and Technology Development (hereinafter: The Management Rulebook).

The amount of the total budget for each public call is defined in the Annual / Mid-Term Program on the Fund and / or in the Annual Financial Plan of the Fund.

In order to submit a project proposal in relation to the public call, the Applicants shall complete the Project Application and Project Budget, together with the other documentation specified in the Management Rulebook and the public call.

IV. EVALUATION PROCESS

Article 15

When reviewing the project proposals, the Commission for Administrative Verification shall be guided by the Document for the Administrative Verification of the project proposals.

The final decision for awarding of funds under this instrument is under the jurisdiction of the Committee for Approval of Investments (herein after: the Committee). The Committee performs evaluation of project proposals that have passed the pre-selection phase.

The rules and procedures for administrative verification and evaluation of the project proposals are regulated in the Management Rulebook.

Article 16

The main criteria for evaluation of projects and awarding funds under this instrument are:

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

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

V. PROJECT IMPLEMENTATION AND SUPERVISION

Article 17

The beneficiary is obliged to implement the project effectively and efficiently in accordance with the Agreement for Awarding Funds and in accordance with the good technical, economic, financial, managerial, environmental and social practices and standards.

The beneficiary has the right to reallocate funds of maximum 10% (ten percent) of the total project budget for the entire duration of the project in order to achieve the expected project results. For the reallocation, the Beneficiary is obliged to notify the Fund within the framework of the quarterly or semester reports and the final report for the project.

Any insignificant modifications of the Project Application and the Project Budget (e.g. changes in the activity plan, the key personnel, etc.) should be previously approved by the Fund.

Any significant modifications of the Project Application and the Project Budget (e.g. changes in the dominant ownership structure, reallocation of funds higher than the amount of 10% (ten percent) of the total project budget etc., should be previously approved by the Committee.

The Fund aims to encourage innovation and risk-taking. Due to the fact that innovative projects often develop differently from the initial expectations, the Fund and the Committee will take this fact into consideration when making the decisions for approval of the changes in the project.

The detailed rules and procedures for the project's implementation are regulated under the Management Rulebook.

Article 18

The Fund shall monitor the project through review of the reports submitted by the beneficiary, through field visits and evaluation of the project results.

The quarterly reports and the final report shall be completed in forms drawn up by the Fund.

The rules and procedures for project supervision, monitoring, and evaluation of the project results are regulated in the Management Rulebook.

VI. FINAL PROVISIONS

Article 19

For all matters that are not regulated under this Rulebook, the provisions of the Management Rulebook shall apply.

Article 20

On the day this Rulebook enters into force, the Rulebook on the Support Instrument Co-financed Grants and Conditional Loans for Commercialization of Innovations no. 01-475/5 dated 06.06.2018 shall cease to apply.

Article 21

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

No. 01-528/5

Skopje, 11.02.2019

**President
of the Managing Board
Monika Jovanova**