

Based on article 25 paragraph 4 of the Law on Innovation Activity (Official Gazette of the Republic of Macedonia no. 79/2013, 137/2013, 41/2014, 44/2015, 6/2016, 53/2016, 190/2016 and 64/2018), the Managing Board of the Innovation and Technology Development Fund, on its session held on , has enacted the

RULEBOOK
on the Support Instrument – Co-financed Grants for Technology Extension

Article 1

This Rulebook shall regulate the basic characteristics of the Support Instrument – Co-financed Grants for Technology Extension (hereinafter: the “Instrument”), the criteria and procedures for applying for co-financed grants and the criteria and procedures for awarding the co-financed grants.

I. BASIC CHARACTERISTICS

Goal of the Instrument

Article 2

The goal of the Instrument is to enhance the adoption and adaptation of innovative, advanced technologies, know-how and technology processes in small and medium sized enterprises (hereinafter: “SMEs”). The aim is to improve the technological capabilities of existing industries and businesses by bridging the gap between the knowledge-stock already available globally and local industries. The instrument is expected to have sectoral impact and long-term positive contribution to increasing competitiveness.

Description of the instrument

Article 3

The financing granted through this Instrument is intended to support adoption and adaptation of innovative and advanced technologies, and improvement in business processes in the Macedonian SMEs. The technology extension should be targeted towards a group of SMEs with a goal of improving their productivity and competitiveness and achieving sectorial impact.

The support may be granted for two phases of the technology extension process: Phase 1 – Diagnostics and Improvement Plan; and Phase 2 – Implementation of Improvement Plan. In case of already existing Diagnostics and Improvement Plan, the applicant may apply for Phase 2 only.

To be eligible for funding under this Instrument, the technology diagnostics must include the following:

- Assessment of:
 - Leadership (e.g., strategic direction, core competencies etc.);
 - People/human resources;
 - Partnerships & Resources;
 - Internal Processes;
 - Production and operational technologies;

- Products and Services;
- Customers and competitors;
- Financial and operational performance; and
- Environmental sustainability.
- Identification of:
 - Relative strengths and weaknesses of the enterprise;
 - Strategic business issues for the enterprise;
 - Critical areas for business improvement within the enterprise; and
 - Potential pathways for the enterprise to grow.
- An Improvement Plan that details findings and symptoms, prioritized actions with suggested benefits, a timeframe for implementation, and what other assistance is available for the SME to draw on.

The following would also add value and can be considered optional:

- Assessing the sectoral supply chain, given that firms included in each proposal will likely be in the same industries
- Conduct formal benchmarking that provides key performance indicators against which to measure change and improvement.

The Diagnostics may include diverse methodologies and overarching analyses, but the Improvement Plan must address each SME identified as final beneficiary in Phase 2 separately and in a balanced manner.

In case of already existing Diagnostics and Improvement Plan, an expert with experience of conducting minimum 3 (three) technology extension diagnostics out of which at least 1 (one) is on multiple SMEs in the specific field most relevant for the project proposal has to sign the Declaration of Compliance (provided as Annex 3 of this Rulebook) confirming that the conditions of paragraph 3 of this Article have been met, regardless of whether the same expert has conducted the diagnostics or not.

General Terms of Co-financing

Article 4

Through this Instrument the Fund for Innovations and Technology Development (hereinafter: the “Fund”) shall provide financing of **up to 50%** (fifty percent) of the total budget of the project in maximum amount of EUR 500,000.00 (five hundred thousand Euros) cumulative for both phases.

The remaining amount of the total budget of the project should be provided by the Applicant. The funds received from the Fund pursuant to any other grounds or any other form of state aid shall not be acceptable as co-financing of the Applicant.

For projects consisting of only Phase 2 – Implementation of Improvement Plan, the budget and co-financing ceilings set in paragraph 1 of this Article shall apply for the entire duration of the project.

For projects consisting of Phase 1 – Diagnostics and Improvement Plan; and Phase 2 – Implementation of Improvement Plan, the budget for implementation of the Phase 1 may be fully covered by the Fund. The financial contribution of the Fund for Phase 1 may not exceed 10% of the Fund’s co-financing allowed for the entire project i.e. may not exceed a maximum amount of EUR 50,000.00 (fifty thousand Euros). The beneficiary will be responsible for any additional expenses under the Phase 1.

For projects consisting of both phases, the funding of Phase 2 shall be conditioned on a prior approval by the Committee for Approval of Investments (herein: CAI) of the delivered Diagnostics and Improvement Plan, and the Phase 1 Implementation Report.

The co-financing by the Fund for the total budget of the project (for Phase 1 and Phase 2 cumulatively) may not exceed the co-financing ceilings set in paragraph 1 of this Article.

The co-financing by the Fund allocated for implementation of the Improvement Plan must not exceed EUR 200,000 (two hundred thousand Euros) per single final beneficiary (SME).

Project duration

Article 5

The overall duration of the projects (Phase 1 and Phase 2) financed under this Instrument may not exceed 24 (twenty-four) months.

The duration of the implementation of Phase 1 may not exceed 6 (six) months.

Projects including only Phase 2 may not exceed 24 (twenty-four) months.

The Fund may approve minor extensions of the project, up to 3 (three) months, based on justified circumstances.

Any extension longer than stated in paragraph 3 of this Article shall be approved only upon a decision taken by CAI.

In well justified cases, the projects may be extended for a total of 12 (twelve) months upon prior approval by the Fund in accordance with paragraph 3 and 4 of this Article.

Eligibility Criteria of Applicant

Article 6

The Applicant is the entity providing the technology extension services and assistance to a group of SMEs as final beneficiaries.

The eligibility criteria that the applicant has to fulfil are:

- to be a legal entity registered in the Central Registry of the Republic of Macedonia;
- to be a legal entity established in accordance with the Law on Associations and Foundations or established in accordance with the Law on Trade Companies or established in accordance with the Law on Chambers of Commerce which are acting as cluster, chamber of commerce, or business association;
- to have at least 50.1% Macedonian founders / owners.

The eligibility criteria that the implementing team of the applicant should fulfil are:

Project manager:

- Experience in managing large scale projects with budget exceeding EUR 200.000 (two hundred thousand Euros);
- Experience in managing projects involving the private sector.

Project team:

For Phase I (if applicable):

- At least one team member with experience of conducting minimum 3 (three) technology extension diagnostics (in accordance to the provisions in Article 3 of this Rulebook) out of which at least 1 (one) is on multiple SMEs in the specific field most relevant for the project proposal.

For Phase II:

- At least one team member with minimum 5 (five) years of professional experience in providing services in the specific field for the private sector;
- At least one team member with professional experience in providing services in the specific field to at least 5 (five) SMEs.

Eligibility Criteria of Final Beneficiary(ies)

Article 7

All industries are eligible for funding under this Instrument.

The final beneficiaries are SMEs to which technology extension is targeted.

The eligibility criteria for each final beneficiary are:

- to be an enterprise established in accordance with the Law on Trade Companies and registered in the Central Registry of the Republic of Macedonia,
- to be a micro, small or medium sized enterprise (up to 250 employees),
- to be with majority Macedonian ownership structure (of 50,1% or more)¹,
- to be in ownership of a natural person/s and/or micro, small or medium sized enterprise/s (with a Macedonian ownership structure of 50,1% or more), and/or a higher education, i.e. scientific-research institution/s (of up to 20% ownership in the final beneficiary),
- to not have accumulated over EUR 200,000.00 (two hundred thousand Euros) aid of minor importance in the last three fiscal years, including the amount requested from the Fund in accordance with the Law on State Aid and the Regulation on the Conditions and Procedures for Granting Aid of Minor importance (de minimis),
- to not have accumulated over EUR 100,000.00 (one hundred thousand Euros) aid of minor importance in a period of three years, including the amount requested from the Fund, if the enterprise is active in the road transport sector, in accordance with the Law on State Aid and the Regulation on the Conditions and Procedures for Granting Aid of Minor Importance (de minimis),
- to not be in difficulty (an enterprise in difficulty is an enterprise that is unable to meet its obligations from its own resources or funds that it can obtain from its owner/ shareholders or creditors, to end losses which without outside intervention of providers of aid, will certainly lead to short-term and long-term cessation of operations of the enterprise),
- to not be engaged in coal production.

Eligible costs for financing

Article 8

The following costs will be eligible for financing:

Phase 1 – Diagnostics and Improvement Plan:

¹final beneficiary is majority owned (over 50,1%) by a Macedonian citizen/s

- Management and administration costs up-to 7% of the total budget for Phase 1;
- Consultancy services for diagnostics and development of an Improvement Plan.

Phase 2 – Implementation of Improvement Plan:

- Management and administration costs up-to 7% of the total budget for Phase 2;
- Costs related to procurement of new technology (e.g. purchase price, transport, customs, insurance, installation, training, VAT, etc.);
- Costs related to infrastructure adaptation directly related to the specific technology extension activities;
- Costs related to licensing-in (licensing fees);
- Costs related to quality assurance, certification and standardization;
- Consultancy related to implementation of the Improvement Plan (including development of technical specification).

Only expenditures occurred during the project in accordance with the approved project budget and completed by the end of the project are eligible for financing.

Costs ineligible for financing under this Instrument are:

- Interest or debt owed to any party;
- Expenditures and provisions for past and possible future losses or debts;
- Currency exchange losses, fees and penalties;
- Entertainment and hospitality expenses;
- Recruitment and staff relocation costs;
- Purchase of land or buildings, including any renovation;
- Cash payments from the dedicated project account;
- Export activities (costs directly linked to export activities or establishment and operation of a distribution network or to other current costs linked to the company's export activities);
- Procurement of freight transport vehicles by undertakings performing freight transport by road for hire or compensation;
- Procurement of second-hand equipment.

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

The list referred to in paragraph 5 of this Article is non-exhaustive.

II. APPLICATION PROCESS

Article 9

The Fund shall publish a Public Call for awarding of funds under this Instrument.

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

The deadline for submission of applications shall be set between 30 (thirty) and 90 (ninety) days from the announcement of the Public Call.

The content of the Public Call is regulated under the Rulebook on Management of the Support Instruments of the Fund for Innovation and Technology Development (hereinafter: the “Rulebook on Management”).

The total budget allocated to each public call is determined by the Fund in compliance with the Annual Working Program and the Fund’s Annual Financial Plan.

In order to submit an application for the public call, Applicants need to fill in the Project Application (Annex 1) and Project Budget (Annex 2), along with other documentation as stated in the Rulebook on Management and the Public Call.

For projects involving only Phase 2 – Implementation of the Improvement Plan, in addition to the documentation as stated in the Rulebook on Management the applicants should also submit:

- Separate document for the conducted Diagnostics and an Improvement Plan compliant with the provisions under Article 3 of this Rulebook. The diagnostics should also include result based monitoring and evaluation framework for implementing the Improvement Plan;
- Declaration of Compliance (Annex 3).

III. EVALUATION

Evaluation process

Article 10

The rules and procedures for administrative check of the applications are regulated in the Rulebook on Management in detail.

During administrative check, the Committee for Administrative Check uses the template Document for Administrative Check (Annex 4).

The final decision of awarding funds under this Instrument is under the jurisdiction of the Committee for Approval of Investments.

The detailed rules and procedures for awarding funds are regulated under the Rulebook on Management.

Evaluation criteria for the projects

Article 11

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

- Technology improvement;
- Project Quality;
- Project Team Capacity;
- Market potential;
- Cooperation ;
- Impact;
- Procedures for ensuring quality, standardization and certification.

The main criteria and sub-criteria for evaluation of the projects are given as Annex 5 – Evaluation Grid of this Rulebook

V. PROJECT IMPLEMENTATION AND SUPERVISION

Article 12

The beneficiary shall implement the project effectively and efficiently in accordance with the Agreement for Awarding Funds (Annex 9) and in accordance with the good technical, economic, financial, management, environmental and social practices and standards.

The beneficiary is entitled to a re-allocation of funds in the amount of 3% (three percent) of the total project budget for each phase and in the amount of 3% (three percent) of the budget allocated for implementation of the Improvement Plan in the final beneficiaries for the entire duration of the project in order to achieve the expected project results. The beneficiary shall inform the Fund for the reallocations as part of the reports.

Any modifications to the Project Application and the Project Budget (e.g. changes in the activity plan, the key personnel, etc.) must be approved ex-ante by the Fund. The Fund will strive to ensure prompt response and approval.

Any modifications to the Project Budget exceeding the amount of 3% (three percent) of the total budget for each phase and in the amount of 3% (three percent) of the budget allocated for implementation of the Improvement Plan in the final beneficiaries must be approved ex-ante by the Fund. The Fund will strive to ensure prompt response and approval.

The beneficiary shall sign contract with each final beneficiary defining the rights and obligations of both parties including the right of intellectual property and ownership of procured equipment if applicable.

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

Article 13

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

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

In addition to the Quarterly Progress Reports (Annex 7) and the Final Report (Annex 8), in case of implementation of projects consisting of both Phase 1 and Phase 2, a Phase 1 Implementation Report (Annex 6) should be submitted to the Fund not later than 21 (twenty one) days after completion of Phase 1.

Article 14

For the purposes of the project the beneficiary should open a separate bank account.

All payments from the Fund and of the beneficiary's own co-financing will be transferred to the separate bank account as advanced payments in accordance to the Project Budget and in accordance to the Article 15 and Article 16 of the Rulebook on Management.

For project proposals incorporating Phase 1 and Phase 2, the funding for Phase 2 shall depend on prior approval of the delivered Diagnostics and Improvement Plan and the submitted Phase 1 Implementation Report by CAI.

VI. FINAL PROVISIONS

Article 15

For all matters that are not regulated under this Rulebook, the provisions of the Rulebook on Management and the Laws of the Republic of Macedonia shall apply.

Article 16

On the day this Rulebook enters into force, the Rulebook on the Support Instrument Co-financed Grants – Technology Transfer No. 6p. 01-477/1 dated 07.09.2015 shall be repealed.

Article 17

This Rulebook shall enter into force on the day of the publication on the notice board of the Fund, and shall be published after prior approval by the Government of the Republic of Macedonia.

No. _____
Skopje, _____

**President
of the Managing Board**