

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 13.04.2021, adopted the following:

**RULEBOOK**  
**for the support instrument - Co-financed Grants for newly-established trade companies start-up and spin-off**

**I. GENERAL PROVISIONS**

**Subject**  
**Article 1**

This Rulebook shall regulate the criteria for awarding funds through the supporting instrument - cofinanced grants for newly-established trade companies start-up and spin-off (hereinafter referred as "the Instrument"), as well as the manner of awarding funds, the content of the public call for awarding fund, the evaluation of the submitted application, promotion and other procedures related to awarding funds from this Instrument.

**Definitions**  
**Article 2**

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

1. "**Applicant**" means a trade company or a team of individuals that has submitted a project proposal to the Fund for an open public call for awarding funds under this Instrument. If the applicant is a team of individuals, the number of persons in the team can be a maximum of five (5) individuals and in case the project proposal passes the selection phase, the team is obliged within 30 calendar days after receiving the Notification for the selection of the project proposal, to establish a trade company in which at least 51% of the team members will appear as founders.
2. "**Contract for Awarding Funds**" means a contract between the Fund and the selected beneficiary for awarding 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. "**Beneficiary**" means an Applicant who meets the eligibility criteria of this Rulebook and has signed with the Fund a Contract for Awarding Funds.
5. "**Environmental Management Plan**" means a plan for environmental management for innovation projects, prepared in accordance with the applicable regulations for environmental protection and pollution reduction in the Republic of Northern Macedonia, containing detailed information on the appropriate/i.e. necessary measures for maximizing the Project's benefits, removing, replacing, i.e. alleviating all the harmful effects to the environment, i.e. decreasing such effects to an acceptable level, together with the budget and cost assessments, financing resources, appropriate institutional arrangements and monitoring and reporting arrangements that allow appropriate implementation and regular feedback information for compliance with that environmental management plan.

6. **“Change in Capital Ownership”** means, in relation to a beneficiary that is a trade company established under the Law on Trade Companies, the direct or indirect acquiring, gradually or all at once, of a share or stocks in such beneficiary’s basic capital of such beneficiary, by any natural person or legal entity by way of sale and purchase, gift, inheritance (including in event of the death of a majority shareholder, or stockholder of the beneficiary), liquidation, status change or other kind of agreement or transfer.
7. **“The Rulebook”** means this Rulebook on the support instrument – co-financed grants for newly-established trade companies start-up and spin-off of the Fund for Innovations and Technology Development.
8. **“Project Proposal”** is a project submitted following an open public call for awarding funds under this Instrument of the Fund, to be financed through a co-financed grant in accordance with the criteria and procedures on this Rulebook.
9. **“Project results”** means any tangible or intangible results of the project referred by the contract for awarding funds, such as data, knowledge or information, whatever their form or nature, regardless of whether they can be protected or not, that are generated through project activities, as well as any rights to the same, including intellectual property rights.
10. **“Start-up”** is a trade company established by one or more natural and / or legal entity from whose establishment till the moment of applying for financing, have not exceeded more than six years;
11. **“Spin-off”** is a trade company established by one or more natural persons employed/engaged or students in a higher education institution, i.e. a scientific-research institution and/or legal entities established by scientific-research and/or by economic entities, in order for commercial exploitation of the innovation, transferred in the newly established trade company.
12. **“Experts”** are external experts engaged by the Fund in accordance with the Rulebook on the Manner of Involvement and Work of Experts in the Work of the Fund in the evaluation and providing of expert opinion in the pre-selection phase of the project proposals under this Instrument.
13. **“Pre-selection phase”** means evaluation phase conducted by the Experts, appointed by the Fund, who review the material, submit evaluation and expert opinion of the projects proposals, which correspond to the evaluation criteria i.e. the purpose of the Instrument.
14. **“Selection phase”** means evaluation phase conducted by the Committee for Approval of Investments, which evaluates the project proposals that have passed the pre-selection phase and makes the final decision for financing under the Instruments of the Fund.
15. **“Fund”** means the Fund for Innovations and Technology Development of the Republic of North Macedonia.
16. **“Status Change”** means the accession, merger and division of trade companies in the manner and under the conditions determined by the Law on Trade Companies.

## **Purpose and Description of the Instrument**

### **Article 3**

- (1) The instrument is aimed for encouraging the innovation level in newly-established trade companies by providing the necessary financial support for research and development activities.
- (2) This Instrument is expected to encourage the development of a culture of risk taking and innovation, to provide support for the legal entities that aim to develop new or

improved product, process, and/or service, as well as to encourage the commercialisation of research results obtained in higher education institutions, i.e. scientific-research institutions.

#### **Article 4**

(1) The support under this instrument shall be granted to projects that have at least a proof-of-concept and a clear commercial ambition.

(2) The instrument supports projects that are in the phase of proof-of-concept, up to the precommercialization (close-to-market) phase.

(3) The instrument is intended for financing of newly-established trade companies registered in the Republic North Macedonia, aiming to encourage innovation among legal entities, to implement innovative solutions and support legal entities with high growth potential, as well as to transfer the results of scientific research into applicative i.e. commercial activities by establishing spin-off legal entity.

#### **General criteria for co-financing under this Instrument**

#### **Article 5**

(1) Under this instrument, the Fund for Innovations and Technology Development (hereinafter referred to as: the Fund) shall provide:

- financing of up to 90% (ninety percent) of the total project budget, in a maximum amount of 40,000.00 (forty thousand) EUR in MKD counter value for trade companies that exist no more than 3 (three) years till the moment of applying or for a trade company that will be established in a period of 30 days after the receipt of the Notification for selection of the project proposal (in the event when the applicant is a team), i.e.

- financing of up to 85% (eighty-five percent) of the total project budget, in a maximum amount of 60,000.00 (sixty thousand) EUR in MKD counter value for trade companies that exist more than 3 (three) years and less than 6 (six) years till the moment of applying.

(2) The remaining amount (10% (ten percent)) i.e. 15% (fifteen percent)) of the total project budget shall be provided by the applicant.

(3) Funds received by the Fund on any other grounds or any other form of state aid are not acceptable as co-financing on behalf of the applicant.

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

- Production, trade or other activities that are illegal according to the law;
- Production and trade with tobacco, distilled alcoholic beverages and related products (beverages containing alcohol, but not obtained exclusively by distillation, but for whose production naturally distilled alcohol can be used (obtained from different, but natural origin) 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 is most often higher than 15%, and may include different types of liqueurs and cocktails, and alike);
- Production and trade with weapons and munition of any kind;
- Casinos and other trade 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 abovementioned sectors, alien 2, 3 and 4 from this article;
  - b) internet 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);
  - coal production.
- (5) Cooperation between the private sector and higher education i.e. scientific-research institutions or other forms of cooperation for commercialization of innovation shall be considered an advantage in the project proposal.

### **Duration of the project**

#### **Article 6**

- (1) The duration of the project for which funds are awarded under this instrument can be up to 12 (twelve) months.
- (2) Based on justified circumstances, the Beneficiary may request extension of the duration of the project by submitting an elaborated written request stating the reasons for extension. The request shall be submitted before the expiration of the duration of the project.
- (3) On the basis of the submitted request from paragraph (2), the Fund may approve the extension of the implementation of the project for up to 2 (two) months.
- (4) The extension of the implementation of the project longer than the period from paragraph (3) of this article can be approved only with a decision adopted by the Committee for Approval of Investments.
- (5) Based on justified circumstances, the duration of the project may be extended at most for additional 6 (six) months upon prior approval according to paragraph 4 of this Article.
- (6) In the event the Fund, i.e. the Committee, adopts a decision for the extension of the duration of the project, the extension of the duration shall begin from the day of adopting the decision for extension. During the period from the expiration of the duration of the project until the day of adopting the decision for extension by the Fund, i.e. the Committee, any costs and activities by the Beneficiary shall not be recognized and the Beneficiary shall be obliged either to refrain from incurring any other costs and undertaking any other activities or to choose to bear such costs.
- (7) In the event of extension of the duration of the implementation of the project, the amount of the granted financial support may not be increased.

### **Eligibility criteria for the Applicant**

#### **Article 7**

- (1) The eligibility criteria that the applicant has to fulfil are:
- to be a trade company established in accordance with the Law for Trade Companies and registered in the Central Registry of the Republic North Macedonia or a team of at most 5 (five) members - natural entities.
- (2) In the event when the applicant is a trade company, the same shall meet the following eligibility criteria:

- to not have annual revenues exceeding 1.000.000 (one million) euros in MKD caunter value, according to the financial reports for the previous two fiscal years,
- the average number of the employees not to exceed 250 employees,
- the period from the establishment of the applicant to the date of submission of the project proposal to the Fund shall not have exceeded 6 (six) years,
- to be in ownership of a natural and/or legal entity (which is not in a state ownership), an association and/or foundation and/or a higher education, i.e. scientific-research institution (of up to 20% ownership in the applicant),
- the applicant or its shareholders not to be directly or indirectly owners of 20% in another trade company/is whose individual annual revenues exceeds 1.000.000 (one million) euros in MKD counter value in the previous two fiscal years and the individual average number of the employees not to exceed 250 employees, except in the event of a capital connection with a higher education, i.e. 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;
- 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 meet the following requirements:
  - to not have accumulated over 200.000 (two hundred thousand) euros aid of minor importance for a period of three fiscal years, including the amount requested from the Fund;
  - to not have accumulated over 100.000 (one hundred thousand) euros aid of minor importance in a period of three fiscal years, including the amount requested from the Fund, if the enterprise is active in the road transport sector;
  - 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) and
  - to not be engaged in coal production.

(3) In the event when the Applicant is a team and whose project proposal has passed the selection phase, the Applicant is obligate, within the period of 30 calendar days after the receipt of the Notification for selection of the project proposal, to establish a trade company where 51% of the members of the team will be founders, and which trade company will take over all rights and obligations regarding the implementation of the Project and will meet all the eligibility criteria from this article.

### **Article 8**

(1) The funds received from the Fund shall be used for development activities and implementation of the proposed innovation.

(2) Eligible activities for funding with this instrument are the following:

- R&D activities;

- Development of pilot lines/product/s and or service/s;
- Testing activities and validation of new and/or improved products/services/process;
- Market testing activities and validation of potential beneficiaries;
- Activities related to the protection of IP and
- Design.

(3) All activities eligible for implementation within the project may include demonstration of technology, prototype creation, piloting, testing and validation of new or improved products, processes or services, where the main objective is achieving significant improvement. The lowest expected outcome of projects funded through this Instrument is the creation of a commercially usable prototype or pilot upon completion of the development phase within the project. In the event the Applicant has already developed prototype at the time of application, it is expected to develop a final product or service by the end of the project.

(4) The Fund does not encourage project proposals focused on routine or periodic changes to already existing products, product lines, production processes, services, and other activities already established (for example: software version updates or product redesigns, etc.) that do not result in real value and intellectual property or know-how, although these changes may represent a significant improvement in the Applicant's work.

### **Eligible costs for financing**

#### **Article 9**

(1) The following costs are eligible for financing under this instrument:

- Gross Salaries with salary supplements included defined in accordance with the Law on labour relations (work on holiday, work on Sunday, work in shifts, night work etc.) for persons who are or will be employed by the beneficiary and who directly participate in the project implementation. The amounts of the gross salaries for employees engaged in the project should be in accordance with the established practices of the beneficiary before the start of the project, reduced by the amount of potential state aid received on the basis of salary;
- Purchase and/or rent of R&D equipment and supplies;
- R&D services from subcontractors (e.g. testing, laboratory services etc.)
- Engaging R&D experts/advisors;
- Engaging consultants for other needs directly related to the results of the project (expertise related to innovation management, financial management, mobilization of funds and capital, business development, marketing expertise for market testing and validation of potential customers, legal affairs, protection of intellectual property, etc.);
- Preparation and submission of patent application, protection of trade mark and/or industrial design; and
- Office and business support (rent of premises, office costs, bank fees, accounting services, hosting and other types of administrative costs related to the project implementation) in the maximum amount of 15% of the total project budget.

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

(3) Costs ineligible for financing under this instrument are:

- Costs for the procurement of goods, services and works of domestic public enterprises, except utility cost;
- Costs for payment of interest or debt owed to another party;
- Expenditures and provisions for past and possible future losses or debts;
- Costs for covering currency exchange losses, fees and penalties;
- Entertainment and hospitality expenses;
- Recruitment expenditure (costs of publishing an announcement, commissions from employment agencies, expenses related to the selection of candidates, etc.) and relocation costs;
- Purchase of land or buildings, including any renovation;
- Cash payments from the separate project account;
- Export activities (costs directly linked to product export activities, to establishment and operation of a distribution network or similar, or to other current costs of the enterprise linked export activities);
- Annual fees for patent maintenance (except for well justified cases assessed as eligible expenses in the evaluation of project proposals)
- Salary supplements such as annual leave allowance, thirteen salary, work performance etc.;
- Costs for consulting services provided by the owner/s of the beneficiary as well as from the authorized persons of the Beneficiary (manager/director);
- Costs for consulting services provided by persons employed at the Beneficiary;
- Renting office space from a lessor who participates in the activities of the project or is affiliated with the beneficiary;
- Procurement of freight transport vehicles by enterprises performing freight transport by road for lease or compensation;
- Procurement of commercial vehicles (with the exception of well justified cases assessed as eligible 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;
- Cost for direct marketing and
- Cost for implementation of activities that were previously founded by other sources.

(4) The list referred to in paragraph 3 of this Article is non-exhaustive.

## **II. APPLICATION PROCESS**

## **Public call**

### **Article 10**

- (1) The funds under this Instrument shall be awarded on a competitive basis upon a public call.
- (2) The Fund publishes a public call through a regular procedure and a public call through a shortened procedure.
- (3) The public call shall be published in at least two public media outlets and on the website of the Fund.
- (4) The deadline for submitting the project proposals shall be up to 60 (sixty) days from the publication of the public call by the Fund and the same can be extended due to a reasonable circumstances.
- (5) 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.

## **Content of the Public Call**

### **Article 11**

- (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, as well as costs that are not 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 data stated above must be contained in the full public call published on the website of the Fund.
- (3) An abbreviated version will be prepared for the public call published in public media outlets.

## **Application in a regular procedure**

### **Article 12**

- (1) When applying for financing under this Instrument of the Fund, the following documents must be submitted:
  1. Project documentation (containing the forms for the project proposal, available on the website of the Fund) which is consisted of:
    - properly completed project application form;
    - duly filled out project budget form;
    - statement by the Applicant for acceptance of the Fund's terms; and
    - notarized statement of ownership - founding structure of the Applicant (except when the applicant is a team, the same is submitted after the establishment of the trade company).



2. Documentation related to the Applicant:

- short CVs of the main persons in the project team engaged in the project (maximum of 5 (five) persons).

(2) The project application, the project budget and the CVs should be submitted in Macedonian and in English.

(3) The remaining documents related to the Applicant should be submitted in Macedonian only.

(4) The project documentation shall be compulsorily submitted using the forms prepared by the Fund.

(5) In the event 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 the intellectual property in the form of licensing agreement, non-monetary contribution or other type of contract which confirms that the Applicant is entitled to use the intellectual property on which the results of the project are based.

(6) The Applicant may not consciously or deliberately infringe 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 event of a project proposal that includes a cooperation agreement with a higher education and / or scientific research institution, the intellectual property rights related to the project should be clearly regulated in the cooperation 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 North Macedonia.

(11) The Fund reserves the right, if necessary, to request additional documentation from the Applicant.

### **Applying in a shortened procedure**

#### **Article 13**

(1) Applicants whose project proposals have not been approved by the Committee and have passed the pre-selection phase, in the previous 12 months from the moment of publishing the call, have the right to apply for obtaining funds from the Fund on a public call in a shortened procedure.

(2) Applicants referred to in paragraph 1, when applying for obtaining funds in a shortened procedure through this Instrument by the Fund, should submit the following documents:

- project application;
- project budget;
- CVs (maximum of 5 (five) persons) for team members and

- a statement that there is no change in the mandatory documentation, related to the eligibility of the applicant, submitted on the previous call to which they have applied, and that they fulfil the eligibility requirements of the call to which they are applying.

(3) The documentation submitted by Applicants pursuant to this Article should also meet the conditions in Article 12, paragraph (2), (3), (4), (5), (6), (7), (8), (9) and (10) of this Rulebook.

(4) Project proposals submitted in a shortened procedure shall not go through the pre-selection phase again, but will be reviewed and evaluated by the Committee in the selection phase and will be reviewed in the administrative phase in terms of meeting the eligibility requirements.

(5) When submitting project proposals, the Fund submits to the Committee the project application, the project budget and CVs of the team members, history or information about the Applicant i.e. the Beneficiary, as well as additional documentation of influence for making a final decision.

### **Additional Documentation**

#### **Article 14**

(1) In the event that the Applicant is awarded funds under this Instrument, prior to making the final Decision for financing and/or before 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 (including also employment contracts);
- statement on the accumulation of state aid;
- Notification issued by the Central Registry of the Republic of North Macedonia whether the applicant and its founder/s are founders in other legal entities in the Republic of North Macedonia;
- signed and sealed Environmental Management Plan (if applicable i.e. if the project proposal is categorized as medium risk by the environmental expert);
- information about the opening of a special purpose bank account for the project and
- additional documentation proving the fulfillment of the conditions for eligibility of the applicant.

(2) The applicant must provide the additional documents within 5 working days from the day of receiving the notification from the Fund.

(3) The Fund reserves the right, if necessary, to request other documents from the Applicant, who is required to submit them promptly upon request, or if possible the Fund may provide such documentation itself, hence in such case, accordingly to the submitted additional documentation, the Fund may return the entire project to the Committee for its re-examination and decision-making.

### **III. EVALUATION**

#### **Criteria for Evaluation of Project Proposals**

##### **Article 15**

- (1) The main criteria for evaluation of the projects and awarding funds under this support instrument are:
  - degree of innovation
  - project quality
  - capacity of the project team
  - market potential
  - impact.
- (2) The main criteria and sub-criteria for evaluation of the projects are given in the Evaluation Table form.

##### **Article 16**

- (1) All project proposals which are submitted on time will be sent by the Fund to the experts for conducting the pre-selection phase.
- (2) When taking over the documentation, the Fund determines whether the statements referred to in Article 12 and /or Article 13 of the Rulebook are duly signed and stamped and if not, a notification to the applicant is submitted for their correction within 2 working days from the notification.
- (3) If the statements referred to in paragraph 2 of this Article of the Rulebook are not properly corrected, i.e. are not completed within the deadline referred to in paragraph 2 of this Article, the application/s will not be reviewed by the experts and/or by the the Committee. In case of well-justified reasons, due to which the applicant can not make the required corrections or complete the statements within the given deadline, he/she should immediately inform the Fund and justify it.
- (4) For all submitted project proposals the Fund prepares a table which, among others, contains the following data:
  - name of the Applicant
  - ownership structure of the Applicant, and
  - authorised person (manager/director) of the Applicant.
- (5) The table referred to in paragraph (4) of this Article shall be submitted to the employees of the Fund, the Director, the members of the Managing Board, the Experts and the members of the Committee for approval of investments, in order to determinate any potential conflict of interests in accordance with the Law on Prevention of Corruption and Conflict of Interests.
- (6) The table referred to in paragraph (4) of this Article is also submitted to other persons directly involved in the process, in order to determine a potential conflict of interest in accordance with the Law on Prevention of Corruption and Conflict of Interest.
- (7) In the event any of the Experts identifies a conflict of interest, he/she is obliged to inform the Fund as soon as possible. The Fund will exclude such person from the evaluation process (in the pre-selection phase) of that project proposal and will appoint another appropriate expert on his/her place.

(8) In the event a members of the Committee identifies a conflict of interest, the member is oblige to inform the Fund as soon as possible, after which the member shall be excluded from the evaluation process (in the selection phase) of that project proposal.

(9) In the event several members of the Committee identify a conflict of interest in relation to a particular project proposal and that project cannot be evaluated by at least 3 (three) members of the Committee, the project will be excluded from further proceedings and will not be evaluated.

### **Evaluation process**

#### **Article 17**

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

(2) The pre-selection phase is carried out by the Experts. Each project proposal will be evaluated at this phase 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, except if it is a project proposal pursuant to article 13 of this Rulebook since such project proposal shall not go through the pre-selection phase.

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

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

### **Pre-selection phase**

#### **Article 18**

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

(2) During the pre-selection phase, the Experts have the right to ask additional questions of Applicants and project proposals that will be checked by 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 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) The total number of points for each project proposal is determined as an average of the points received from the Experts assigned to evaluate that project proposal in the pre-selection phase.

(4) Each project proposal that has received 51 (fifty-one) points or more (out of a total of 100 (one hundred) points) at the pre-selection phase goes to the next selection phase.

(5) Each project proposal that has received less than 51 (fifty-one) points (from a total of 100 (one hundred) points) in the pre-selection phase will be rejected for funding under this Instrument of the Fund.

(6) Each Applicant whose project proposal has not received at least 51 (fifty-one) points, or whose project did not pass the selection phase, will be notified in a timely manner about the results.

(7) In the event of an Applicant who fulfills the eligibility criteria in accordance with article 7 of this Rulebook and applied on a public call in a shortened procedure, according to article 13 of this Rulebook, that project proposal will not go through the pre-selection phase.

## **Selection Phase**

### **Article 19**

(1) In the selection phase, each member of the Committee evaluates the project proposals that have passed the pre-selection phase, i.e. the project proposals submitted on a public call in a shortened procedure, and is obliged to fill out the Evaluation Table for each of those project proposals and evaluate them within the deadline previously determined by the Fund.

(2) The members of the Committee have the right in the selection phase to ask additional questions of applicants and project proposals, which will be checked by 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 Fund.

(3) The Fund may organize a presentation of the project proposals in the selection phase. At this presentation, each applicant shall briefly present his/her project proposal, and the members of the Committee will have the right to ask questions in order to obtain additional information that will help them adopting the decision for financing.

(4) If the Committee, in the selection phase, while reviewing and evaluating project proposals, requires expert opinion in a particular area, it may obtain it from experts, in accordance with a procedure established by the Rulebook on the Manner of Involvement and Work of Experts in the Work of the Fund for Innovations and Technology Development and providing expert opinion.

(5) During the selection phase, the Fund may engage other persons as observers.

(6) During the selection phase, the pre-selected project proposals shall also be reviewed by environmental expert(s). The environmental expert shall conduct all the necessary procedures for reviewing of the pre-selected project proposals in accordance with the Environmental Protection Framework. The environmental expert is obliged to submit to the Fund a report for categorization of the pre-selected project-proposals. In accordance with the Environmental Management Framework, the Fund shall not finance projects categorized as "category 3 - high risk".

(7) The points and expert opinions received from the evaluation Experts, the history of the Applicants i.e. the Beneficiaries 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 into consideration in the evaluation of project proposals.

(8) The total number of points won for each selected project proposal is determined as the average of the points from the Experts obtained in the pre-selection phase and from each of the members of the Committee obtained during the selection phase.

(9) Based on the points won, an indicative rank list of selected project proposals shall be prepared.

(10) The Committee shall compile a list of project proposals selected for funding and for which a final decision for financing will be made if the Commission for Administrative

Verification determines that they meet the eligibility criteria set out in the Rulebook and / or if the project budget is adjusted accordingly to the requirements of the Commission for Administrative Verification.

(11) In the event during the administrative procedure it is determined that some of the applicants do not meet the eligibility criteria and/or have not made the required corrections in accordance with Article 20 paragraph 7 of this Rulebook, the Committee shall accordingly review the list of project proposals to be selected for financing.

## **Член 20**

(1) In order to determine whether the applicant fulfils the eligibility criteria indicated in the public call and this Rulebook, based on the documentation referred to in Article 14 of the Rulebook and review of the submitted budgets a Commission (or commissions) for Administrative Verification of the selected project proposals for financing is established. The Commission (or commissions) shall review each Applicant and Budget separately.

(2) The Commission for Administrative Verification shall be established by the Director of the Fund or a person authorised by the Director of the Fund and shall consists of at least three employees i.e. engaged persons in the Fund.

(3) When reviewing the applicants and the budgets, the Commission for Administrative Verification shall be guided by the Document for Administrative Verification of the Project Proposals.

(4) If the Commission for Administrative Verification, while reviewing the project proposals, requires expert opinion in a particular area, it may obtain it from experts in a particular area and/or from relevant institutions.

(5) Upon completion of the administrative verification of the project proposals, the Commission for Administrative Verification shall prepare minutes and submit it to the Committee.

(6) If some of the Applicants has not submitted the required documentation or has completed incorrectly the project budget, the Commission for Administrative Verification shall electronically inform the applicant and provide the applicant with the opportunity to submit additionally, within 5 (five) working days electronically or in the archive of the Fund, the missing documents and/or to submit corrected project budget and/or the additional documentation. In the event of submittal of additional documents, changes in the project application or in the project budget that are not requested by the Fund are not permitted.

(7) If the applicant fails to submit the missing documents within the additional 5 (five) working days, does not correct the budget or the applicant does not comply with the eligibility criteria set out in this Rulebook, the Commission for Administrative Verification shall note in the minutes that for that Applicant i.e. the project proposal the conditions for making a final Decision for financing are not met.

(8) The minutes referred to in paragraph 5 of this Article, together with the completed documents for administrative verification of the project proposals, are prepared by the Commission for Administrative Verification.

## **Decision for Financing**

### **Article 21**

- (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 90 (ninety) days from submission of project proposals to the Committee.
- (2) The Committee shall take the final decision on financing during the meeting with a public vote of "FOR" or "AGAINST" awarding of funds to a specific project proposal. Funds for a specific project proposal in the selection phase can be awarded only if at least three members of the Committee voted "FOR" awarding of funds for that project proposal.
- (3) While taking the decision for financing, regards shall be given to the budget availability for each public call. The Committee shall take the decision for financing of project proposals only within the original determined budget for the public call, or if the budget for that call is to be subsequently increased.
- (4) If the Committee takes a decision that is contrary to the evaluation and the expert opinion prepared by the Experts, it must record a detailed explanation of the reasons for making such a decision.
- (5) If there are not enough project proposals approved for financing within the public call for this Instrument, unused funds from the budget of the public call may be reallocated for another public call for this Instrument, or funds in amount of 30% from the budget from the public call can be reallocated from one to another instrument of the Fund, if for the other Instrument there are more project proposals eligible for funding.
- (6) 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 was part of the evaluations of the project proposals.
- (7) When taking the final Decision for financing, the Committee will take into consideration the Minutes from the Commission (commissions) for Administrative Verification.
- (8) In the event the team does not establish a trade company within the period of 30 days, the Committee shall take a decision for rejecting the project proposal.
- (9) Each applicant whose project proposal has passed the selection phase and the administrative verification will be notified of the results within 30 (thirty) days from the date of the final decision for financing by the Committee.
- (10) In the event same or similar project proposals are submitted on the same public call, the Committee shall reconsider such project proposals and shall take an appropriate decision.
- (11) Applicants whose project proposals are not approved with funds, may apply again for awarding funds from the Fund up to three times with the same project proposal.

## **IV. AWARDING OF FUNDS**

### **Concluding a Contract for Awarding Funds**

#### **Article 22**

- (1) Applicants for which a positive decision for financing has been adopted shall sign a Contract for Awarding Funds.
- (2) Before signing a Contract for Awarding Funds under this Instrument, the Beneficiary is obliged to open or possess a separate bank account for the purpose of the project.

- (3) The Fund and the Applicant for which a decision on financing has been made shall conclude a Contract for Awarding Funds using the form and terms determined by the Fund.
- (4) In the event that the applicants for whom a decision for financing has been made do not proceed to signing of the Contract for Awarding Funds within a reasonable time, the Committee may request them to sign the Agreement within a certain deadline.
- (5) If the applicant do not sign the contract for Awarding fund within the deadline set by the Committee , the Committee shall reconsider and/or change the decision.

### **Payment of funds**

#### **Article 23**

- (1) All payments from the Fund and from the Beneficiary's own co-financing shall be realized on the separate bank account.
- (2) The Fund shall pay the awarded funds under this Instrument in advance, on a quarterly basis, in accordance with the Project Budget, the Contract for Awarding Funds and the provisions stated in this Rulebook.
- (3) The Beneficiary will pay the funds from his own co-financing in accordance with the Project Budget, Contract for Awarding Funds and the provisions in this Rulebook.
- (4) The Fund pays the funds awarded under this Instrument for the first quarter after the signing of the Contract for Awarding Funds, once the Beneficiary has submitted to the Fund a proof for the payment of its own co-financing for the first quarter in the form of a bank statement from the separate bank account.
- (5) After signing of the Contract for Awarding Funds, the Beneficiary is obliged to make the payment of co-financing for the first quarter within 45 calendar days or else, the Fund has right to terminate the agreement.
- (6) The Fund pays the funds awarded under this Instrument for every succeeding quarter after the following conditions are met:
  - approved quarterly progress report for the previous quarter (narrative part and financial part);
  - at least 70% (seventy percent) of the funds spent for intended purpose from the previously budgeted funds;
  - submitted proof for payment of its own co-financing for the next quarter in the form of a bank statement from the separate bank account.
- (7) From the last payment to the Beneficiary under this Instrument, the Fund will retain 5% (five percent) of the total budget of the project.
- (8) The procedure for payment of the retained funds referred to in paragraph 7 of this Article will start within 14 days from the date of approval of the Final Project Report (narrative and financial part).
- (9) In the event of unspent funds and / or in the event of misuse, an appropriate amount of the retained funds will not be paid to the Beneficiary.



## **V. PROJECT IMPLEMENTATION**

### **General rules for implementing the project**

#### **Article 24**

(1) The Beneficiary is obligated to implement the project in accordance with the conditions prescribed in this Rulebook and the Contract for Awarding Funds, as well in accordance with good technical, economic, financial, managerial, environmental and social standards and practices, and in accordance with the laws and regulations in Republic of North Macedonia.

(2) The Beneficiary is obligated to implement the project effectively and efficiently in accordance with the Project Application and the Project Budget.

(3) The Beneficiary is obligated 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-based accounting standards, clearly representing the documents on the costs incurred and the payments for the quarter they report about, in a manner that corresponds to the activities, resources and costs associated with the project.

(4) The Fund requires the beneficiaries, as well as from the selected suppliers, consultants and participants in the project, to adhere to the Law on Preventing Corruption and conflict of interests, with the aim of preventing corruption and similar behavior during the project implementation.

#### **Article 25**

(1) The beneficiary is obliged duly to fulfil its obligations to the Fund.

(2) In the event when the Contract for awarding funds is suspended or terminated, the Fund reserves the right to request from the beneficiary to return part or all of the received funds in accordance with the contract terms.

(3) All payments from the Beneficiary toward the Fund should be paid in Macedonian denars.

(4) The Fund shall keep records for servicing of the fund beneficiaries' obligations towards the Fund.

(5) For each delay of payment of the funds for settling the obligations towards the Fund by the beneficiaries that exceeds 30 (thirty) days, the Fund shall send a written first notice to the beneficiary regarding the delay.

(6) For each delay of payment of the funds for settling the obligations towards the Fund by the beneficiaries that exceeds 60 (sixty) days, the Fund shall send a written second notice to the beneficiary regarding the delay.

(7) For each delay of payment of the funds for settling the obligations towards the Fund by the beneficiaries that exceeds 90 (ninety) days, the Fund reserves the right to unilaterally terminate the contract for awarding funds and to activate the means for securing claims, if so provided in the contract.

(8) For each delay of payment of the obligations towards the Fund by the beneficiaries that exceeds 30 (thirty) days, the Fund reserves the right to calculate and charge legal penalty interest in accordance with the Law on obligation of the Republic of North Macedonia.

## **Purchase of goods, services and works**

### **Article 26**

(1) The Beneficiary shall comply for every procurement of goods and services with the following acceptable commercial practices:

- When implementing the procurement stipulated in the project, the Beneficiaries should consider the economic need, efficiency, transparency and duration of the procurement procedure, as well as the quality of the procured goods and services.
- For the procurement that exceed 10.000,00 (ten thousand) EUR, the Beneficiary should conduct a procedure of collecting at least three bids. The Beneficiary is obliged to submit to the Fund the documentation for an approval.
- In well-justified cases, procurement from line 2 from this paragraph may be carried out without the specified procedure, upon prior approval by the Fund.

(2) When 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.

## **Transparency and public relations**

### **Article 27**

(1) The Beneficiary is obligade to follow the guidelines of the Fund and the Committee regarding the transparency and communication of the project with the public, in accordance with the Guidelines on Transparency and Communication of the Fund's projects.

(2) During the implementation of the project, the Beneficiary shall mark all promotional 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.

(3) 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 Innovations and Technology Development of the Republic of North Macedonia*".

(3) If the Beneficiary has a website, the beneficiary is obliged to publish a brief information on the financial support provided by the Fund.

(4) If the beneficiary is publishing or is giving a statement to the media with regard to the project, is obliged to mention the support provided by the Fund.

## **Change of the project and reallocation of the funds from the project budget**

### **Article 28**

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

(2) The Beneficiary shall realize the costs with the dynamic and within the amounts presented in the project budget.

(3) The Beneficiary has the right to reallocate funds between the budget items in the total amount of 15% (fifteen 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 shall notify the Fund within the framework of the quarterly reports and the final report for the project. If within one budget item within the project implementation there are changes in relation to the originally planned costs, the difference between the originally planned

and paid amount will not be considered as reallocation if it is covered by some cost savings within another budget item.

(4) Any change of the project application and the project budget (changes in the plan of activities, key persons of the project, reallocation of funds in an amount higher than 15% (fifteen percent) between the budget items from the total project budget etc.), should be previously approved by the Committee, after a submitted request by the Beneficiary together with a revised project budget.

(5) In the event of reallocation 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 29**

(1) The Beneficiary is obliged to keep the entire project documentation from the beginning of the project implementation.

(2) 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;
- notification for awarding funds;
- Contract for awarding funds;
- all official documents during the project implementation period and during the reporting obligation;
- original samples of all reports submitted to the Fund;
- notifications for the approval of reports submitted to the Fund;
- original samples of all invoices; and
- all other documents and including agreements with third parties and other evidence of payments related to the project.

(3) The Beneficiary is obliged to keep the documentation referred to in paragraph (1) of this Article for at least 10 years after the completion of the project.

(4) All information regarding the contracts and procurement related to the project should be made available for review to the employees of the Fund and / or persons authorized by the Fund.

## **VI. MONITORING AND EVALUATION OF PROJECT RESULTS**

### **Purpose and methods of monitoring and evaluation of project results**

#### **Article 30**

(1) The purpose of the monitoring and evaluation of the project results is to follow 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 monitoring and evaluation of the project results include:

- reviewing and approving reports submitted by the Beneficiary;
- field visits to the Beneficiaries;

- evaluation of the achieved project results and in-dept business and financial analysis.  
(3) The monitoring and evaluation of the project results is carried out by monitoring teams formed by the Fund and/or audit experts assigned by the Fund and/or external auditors from authorized audit companies selected with a decision by the Fund in an appropriate procedure.

### **Reports**

#### **Article 31**

- (1) The Beneficiary is obliged to submit reports to the Fund as follows:
- Quarterly Progress Reports (narrative part and financial part) which the Beneficiary is obliged to submit during the project duration within 14 (fourteen) days after the expiration of the last calendar day of the quarter.
  - Final report (narrative part and financial part) which the Beneficiary is obliged to submit within 60 (sixty) days after the last calendar day of the project, in which period the Beneficiary shall make all payments for all activities of the project performed by the end of the last day of the Contract for Awarding Funds and
  - Annual activity monitoring report after the completion of the project which the Beneficiary submits in the following 3 (three) years after the completion of the project, not later than March 31<sup>st</sup> of the current year.
- (2) The quarterly reports, the final report and the annual activity monitoring report after the completion of the project, 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 reports, which can be corrected by the Beneficiary, the Fund shall notify the Beneficiary of the identified irregularities with a request to eliminate the irregularities and submit a revised report.
- (4) In the event the report is appropriately completed and submitted, the Fund approves the report and submits the approval to the Beneficiary.
- (5) The monitoring team has the right to request from the Beneficiary additional information and documents related to the reports, as well as to make announced field visit to the Beneficiary in order to verify the information provided in the reports.

### **Field visits**

#### **Article 32**

- (1) The Fund shall supervise the implementation of the project through field visits to Beneficiaries that will be conducted by monitoring teams, audit experts appointed by the Fund and/or members of the Committee.
- (2) It is mandatory at least one field visit per project to be conducted. The Fund has the right to conduct more field visits if necessary.
- (3) Field visits include visit of the beneficiary's business premises and meeting with the key persons of the project in order to assess the implementation of the project (e.g. 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 monitoring team will send to the Beneficiary an advance notice of a field visit containing details of the location, time of visit, persons to be present, documentation and the purchased equipment that should be available for

inspection. The notification for conducting a field visit shall be submitted at least 3 (three) days prior to the visit.

(5) If the Fund finds that there is a need, may also conduct an unannounced field visit.

(6) For the conducted field visit, the monitoring team shall compile a report on the conducted field visit containing information of the visit, the persons who attended the field visit, the documentation that has been checked, the remarks identified by the team, the identified irregularities, the guidelines and deadlines for eliminating possible irregularities, etc.

(7) The report from the conducted field visit is submitted to the Beneficiary. In the event of established irregularities, the Beneficiary is obliged to take measures in accordance with the guidelines and deadlines specified in the notification. The Fund will not make payments of the funds allocated under this Instrument for the next quarter until the Beneficiary eliminates the irregularities determined in the report.

### **Handling in case of identified irregularities**

#### **Article 33**

(1) During the implementation of the projects, if the monitoring teams determine there are irregularities that they may exceed their authorizations, they may submit a proposal to the Director of the Fund to convene a Committee meeting for decision making related to the identified irregularities.

(2) During the implementation of the projects, Audit Experts may also be included in the monitoring in accordance with the Rulebook on the Manner of Involvement and Work of Audit Experts in the Work of the Fund for Innovations and Technology Development and the providing of expert opinion.

(3) Upon completion of the project, Audit Experts may be engaged for evaluation of the results and / or conduct in-depth business and financial analysis of the funded projects in accordance with the Rulebook on the Manner of Involvement and Work of Audit Experts in the Work of the Fund for Innovations and Technology Development and providing of expert opinion.

(4) The Audit Expert referred to in paragraph (2) and paragraph (3) of this article shall review the project documentation, make a field visit with the Beneficiary (if necessary) and to submit a report and an expert opinion to the Fund within 14 working days from the date of receipt of the documentation.

### **Cooperation of the Beneficiary with the Fund**

#### **Article 34**

(1) The Beneficiary shall adhere to the procedures and to enable the Fund to easily monitor and evaluate the implementation of the project.

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

## **Rights and obligation with the project results**

### **Article 35**

- (1) The Beneficiary shall own the project results that will be created.
- (2) The Beneficiary shall take measures to ensure the commercial exploitation of the project results directly or indirectly by: using them in additional research not covered by the project, developing, creating or placing a product or service in the market, creating or providing service, or using it for standardization purposes, and shall take these measures for the duration of the project until all obligations towards the Fund have been fulfilled, in accordance with the Contract for Awarding Funds.
- (3) The Beneficiary may transfer ownership of the results of the project to another party, under the conditions provided in this article.
- (4) The Beneficiary who has the intention to transfer ownership of the project results or to grant an exclusive license for use of the project results to another party, must notify the Fund in writing before conducting of the intended transfer or the granting of the license, and to request consent by the Fund before implementation. In the notice, the Beneficiary shall indicate the exact results of the project that it intends to transfer, or assign, and shall provide details of the new owner, or licensee, as well as the planned or potential commercial exploitation of the project results, and shall submit an elaborate analysis of the likely impact of the transfer or granting of license on market competition and its compliance with good ethical rules and security interests of the Republic of North Macedonia. The Fund may request additional information.
- (5) The Fund may refuse to give consent for the planned transfer of ownership of the project results, or the planned granting of an exclusive license for use of the project results, in particular:
  - a) if the new owner, or the exclusive licensee, is a foreign citizen or a legal entity established outside the Republic of North Macedonia;
  - b) if the Fund finds that the planned transfer or licensing is incompatible with the principles of competition, good ethical principles, or with the security interests of the Republic of North Macedonia. The Fund shall notify the Beneficiary in writing of its decision upon the request referred to in paragraph (4) of this article within 60 days from the date of receipt of the notification, or from the date of receipt of any additional information the Fund might request. The Fund may impose additional conditions in its decision under which the planned transfer of ownership, or the planned granting of an exclusive license, may take place.
- (6) The Beneficiary shall not transfer the ownership of the project results or grant an exclusive license for use of the project results to another party until it obtains a consent by the Fund, i.e. until it fulfills the additional conditions that the Fund may impose in order to carry out the planned transfer of ownership, or the planned granting of an exclusive license.
- (7) The Beneficiary must ensure that the new owner of the project results shall be obliged to comply with the above mentioned provisions of this article and is obliged to ensure that any subsequent owner of the project results to be obliged to comply with the provisions of this Rulebook.
- (8) The obligations of the Beneficiary under this article shall be valid for the duration of the project as well as until the obligations towards the Fund have been fulfilled in accordance with the Contract for Awarding Funds.

(9) If the Beneficiary has acted in a manner contrary to the provisions of this article, the Fund reserves the right to require from the Beneficiary to return the entire amount or part of the amount of awarded funds. For these obligations, the Fund reserves the right to calculate and charge legal penalty interest from the date of maturity until the date of payment in accordance with the Law on Obligations.

### **Obligations in cases of termination of the Beneficiary**

#### **Article 36**

(1) In the event of planned termination (liquidation) of the Beneficiary, the Beneficiary submits a request to the Fund and after obtaining prior approval from the Fund, may initiate procedure for termination (liquidation). Upon such request, the Fund adopts a decision as soon as possible. This procedure for termination (liquidation) must not start without a decision by which the Fund gives prior approval for the same.

(2) In the event a proposal for initiating a bankruptcy procedure against the Beneficiary is submitted, the Beneficiary shall notify the Fund in writing within 10 (ten) days from the notification of such proposal.

(3) The obligations of the Beneficiary from paragraphs (1) and (2) of this Article last within the period from the conclusion of the Contract for Awarding Funds between the Fund and the Beneficiary until the fulfillment of all obligations towards the Fund in accordance with the Contract for Awarding Funds.

(4) If during the period determined in paragraph (3) of this Article, the Beneficiary starts a procedure for termination (liquidation) without prior approval from the Fund or does not inform the Fund within the deadline referred to in paragraph (2) of this Article about a proposal for initiating bankruptcy procedure submitted against him, the Fund may request the Beneficiary to return the entire amount or part of the amount of awarded funds. For these obligations, the Fund may calculate and charge legal penalty interest from the date of maturity until the date of payment in accordance with the Law on Obligations.

### **Change of the ownership structure and status changes**

#### **Article 37**

(1) If during the period from the conclusion of the Contract for awarding funds between the Fund and the beneficiary, until the fulfillment of all obligations towards the Fund in accordance with the contract for awarding funds, a Change of the Ownership of the Capital is implemented, the Beneficiary is obliged within 15 (fifteen) days from the date of the registration of such change in The Central Registry of the Republic of North Macedonia to notify the Fund of the implemented change.

#### **Article 38**

(1) In the event of planned Status Change of the beneficiary, the beneficiary must notify the Fund in writing and to request a prior approval by the Fund for implementation of the planned change. Upon such request, the Fund adopts a decision as soon as possible. Such planned change must not be implemented without a decision by which the Fund gives prior approval for the same.

(2) If the Fund has approved the planned status change of the beneficiary, the new owner of the beneficiary, or the legal successor of the beneficiary, is obliged, within fifteen (15) days after the registration of the status change in the Central Registry of the Republic of

North Macedonia, to sign an annex to the contract for awarding funds with the Fund by which it take over the rights and obligations from it.

(3) The obligation of the beneficiary referred to in paragraph (1) of this Article last within the period from the conclusion of the contract for the awarding funds between the Fund and the beneficiary until the fulfillment of all obligations towards the Fund in accordance with the contract for awarding funds.

(4) If during the period determined in paragraph (3) of this Article, a status change at the beneficiary is implemented without prior approval from the Fund, the Fund reserves the right to require the beneficiary to return the entire amount or part of the amount of awarded funds. For these obligations, the Fund reserves the right to calculate and charge legal penalty interest from the date of maturity until the date of payment in accordance with the Law on Obligations.

## **VII. TERMINATION OF FINANCING**

### **Article 39**

The Fund reserves the right to temporary suspends the financing under concluded contract for awarding funds, completely or partially, in particular in the following cases:

- if the payment request from the beneficiary is not in accordance with the provisions of this Rulebook and / or the concluded contract for awarding funds;
- no report has been submitted by the beneficiary in accordance with the provisions of this Rulebook, or such report is incomplete or additional information is required;
- the Fund has a doubt about the eligibility for financing the expenditures presented in the reports and additional verifications are necessary;
- the beneficiary has committed or is suspected by the Fund that the beneficiary has committed serious violations of the obligations under the contract for awarding funds and / or the provisions of this Rulebook;
- the beneficiary has committed or is suspected by the Fund that the beneficiary has committed fraud or embezzlement, including during the procedure for awarding funds;
- in the event a proposal for initiation of a bankruptcy procedure is submitted against the beneficiary.

### **Article 40**

(1) In the event any of the circumstances occurring under Article 39 of this Rulebook will arise, the Fund reserves the right to adopt a decision on a temporary suspension of financing and / or request to return part or the entire amount of the funds paid to the Beneficiary until that moment.

(2) At the same time, the Fund shall, along with the decision for temporary suspension of funding, send a written notice to the Beneficiary informing the Beneficiary about the occurred breach of the Contract for Awarding Fund with a request to the Beneficiary to remedy the violations within a deadline of 14 (fourteen) days from the day of receipt the notification.

(3) Upon request of the Beneficiary, the Fund may grant the Beneficiary additional thirty (30) days to remedy the violations. In certain cases, where a decision by an



appropriate authority regarding the Beneficiary's operations is awaited and which has an impact on the temporary suspension of funding, the deadline for remedy of those violations may be extended until the decision of that authority is final.

(4) In the event the Beneficiary remedies the identified violations within the deadlines specified in paragraphs (2) and (3) of this Article, the Fund shall adopt a decision to withdraw the temporary suspension of financing.

(5) In the event the Beneficiary does not remedy the identified violations within the deadlines specified in paragraph (2) and (3) of this Article, the Director of the Fund shall inform the Committee, which will decide whether to terminate the contract. In any case, when deciding whether to terminate the Contract, the Committee is allowed to take into consideration the level of utilization of the project (the progress of the project and implementation of the same).

## **VIII. TERMINATION OF THE CONTRACT FOR AWARDING FUNDS**

### **Article 41**

The Fund reserves the right to terminate the contract for awarding funds, completely or partially, in the event of embezzlement and breach of 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 fails to use the approved financial funds for their intended purpose, including the reallocation of funds in a higher percent than the determined percent of funds from the total project budget in accordance with Article 28;
2. If the beneficiary with an intention to perpetrate fraud provides inaccurate data during the procedure for awarding funds and during the duration of the contract for awarding funds that has material impact on the project;
3. If the beneficiary fails to introduce appropriate policies and procedures that will enable the Fund to supervise and evaluate the progress of the project;
4. If the beneficiary fails to introduce and maintain a system of financial management and does not prepare financial reports in accordance with the accounting standards in a manner that appropriately reflect the activities of the project, resources and expenditures related to the project;
5. If the beneficiary, upon a request by the Fund, will not allow audit by an independent auditor and/or audit expert assigned by the Fund;
6. If the beneficiary fails to provide the Fund and / or persons designated by the Fund, to inspect the implementation of the project, its activities, achieved results and all relevant project documents, or the accounts and/or to provide the same to the Fund upon its request;
7. If the beneficiary fails to notify the Fund for any significant change that has material impact on the project;
8. If the beneficiary acts contrary to the provision under Article 24, paragraph 4 of this Rulebook relating to fraud and corruption;
9. If the beneficiary handles the project's results in a manner contrary to the provisions under Article 35 of this Rulebook.

10. If the beneficiary fails to comply with the provisions under Article 36, 37 and/or Article 38 of this Rulebook in event of a change in ownership structure, status changes and termination;
11. In the event a proposal for initiation of a bankruptcy procedure against the beneficiary is submitted.

#### **Article 42**

- (1) In the event any of the circumstances under Article 41 of this Rulebook will arise, the Fund reserves the right to adopt a decision for termination of the contract and/or request to return part or the entire amount of the funds paid to the beneficiary up to that moment.
- (2) The decision for termination of the contract for awarding funds and the financing is adopted by the Committee.
- (3) In the event of termination of the contract, the Fund reserves the right to request to return the entire or part of the amount of the funds paid from the Fund to the beneficiary, and in particular in cases related to the conditions referred to in Article 41, paragraph 1, indents 2, 5, 6 and 8, the Fund reserves the right to request damage compensation.
- (4) If the contract for awarding funds is terminated for any of the reasons under Article 41, and the allocated funds are not spent, the beneficiary shall return to the Fund the entire unspent amount of funds within the deadline determined by the Fund, that cannot be less than 8 (eight) days, otherwise the amount becomes due and the beneficiary may have to pay a legal penalty interest for that amount in accordance with the Law on Obligation, and as of the day of the delay until the final payment.
- (5) In the event any of the circumstances under Article 41, paragraph 1, indent 9 and/or 10 of this Rulebook will arise, the Fund reserves the right to request the beneficiary to return the entire amount or part of the funds paid by the Fund to the beneficiary. For these obligations, the Fund reserves the right to calculate and charge legal penalty interest from the date of maturity until the date of payment in accordance with the Law on Obligations.
- (6) The Fund has the right to request a legal penalty interest, damage compensation and to initiate an appropriate procedure for collecting claims from the beneficiary in accordance with the conditions stipulated in the contract and in this Rulebook as soon as possible, if the beneficiary fails to fulfil the conditions stated in paragraphs 3, 4, 5 and 6 of this Article in order to make full repayment of the funds already paid to the beneficiary.
- (7) All payments shall be paid to the Fund in Macedonian denars in accordance with the official buying rate of the National Bank of the Republic of North Macedonia on the day of payment.
- (8) In any event, The Fund when deciding for termination of the contract, is allowed to take into consideration the level of utilization of the project (the progress of the project and implementation of the same).

#### **Article 43**

- (1) The Fund may terminate the contract for awarding funds on the basis of a request from a beneficiary or the monitoring team, if, due to an inevitable obstacle from a technical or market perspective, the future results of the project are suspect.

(2) In the event referred to in paragraph (1) of this Article, the Fund shall request the beneficiary to submit documentation to the Fund and request termination of the project and financing. Consequently, the Committee will determine whether there is justification in the evidence of an inevitable hindrance that puts in question the future results of the project and will adopt an appropriate decision. If the Committee decides that the conditions stated in paragraph (1) of this Article are fulfilled, the beneficiary will not be obliged to return the allocated funds.

## **IX. FINAL PROVISIONS**

### **Article 44**

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

### **Article 45**

The agreements for awarding funds concluded with the Fund until the date of entry into force of this Rulebook shall be governed by the respective act of the Fund based on which they were concluded.

### **Article 46**

On the day this Rulebook enters into force, the Rulebook on the Support Instrument – Co-financed Grants for Newly Established enterprises Start-up and Spin-off no. 01-457/6 dated 06.06.2018 shall be repealed.

### **Article 47**

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 North Macedonia.

No. Fund for Innovations and Technology Development  
Skopje Monika Jovanova