

Pursuant to Article 27 paragraph 2 of the Law on Innovation Activity (Official Gazette of the Republic of Macedonia No. 79/13, 137/13, 41/14, 6/16, 53/16, 190/16 and 64/18), the Management Board of the Fund for Innovation and Technology Development, at its session held on 20.01.2020, adopted the following:

RULES

for organizing and conducting competitions and challenges to encourage innovation the priority areas in science and technology

These rules set out the basic characteristics of competitions and challenges to encourage innovation in the priority areas of science and technology (hereinafter: Rules for Competitions and Challenges) and the criteria and procedures for applying for competitions and challenges organized by the Fund for Innovations and Technology Development (hereinafter: the Fund).

The rules on competitions and challenges also regulate:

- the criteria and conditions for granting awards intended for competitions and challenges organized by the Fund;
- procedures for granting award funds intended for competitions and challenges organized by the Fund;
- the rules for payment of the award funds;
- the rules for implementing projects supported through competitions or challenges organized by the Fund;
- rules for supervision, monitoring and evaluation;
- conditions for temporary suspension and termination of financing;
- mechanisms for protecting funds allocated through competitions or challenges; and
- other issues related to the operation of the Fund.

Competitions and Challenges may be organized and conducted by the Fund independently or in collaboration with other organizations.

I. GENERAL PROVISIONS

Definitions

1. "Competitor" means a legal entity that has submitted a project proposal to the Fund in an open public call for granting awards for competitions and challenges organized by the Fund (hereinafter: competitions and challenges).

2. "Award Granting Contract" means a contract concluded between the Fund and the selected competitor for the award of funds in accordance with the rules and procedures set out in the Rules for organizing and conducting competitions and challenges for promoting innovation in priority areas of science and technology.

3. "Evaluation and Selection Committee" means a Committee composed of representatives of the organizer, partner organizations and external experts in the field in which the Competition or Challenge is organized, and which works in accordance with the Rules for Competitions and Challenges.

4. "Awarded beneficiary" means a legal entity that has signed an Award Granting Contract with the Fund for a competition or challenge.

5. "Award" means a grant in the form of financial assistance and / or technical assistance awarded by the Fund to a specific awarded beneficiary for the financing of works, procurement of goods, consultancy and other services in accordance with the approved project application and budget of the project co-financed by the awarded party in accordance with the conditions set forth in the Rules for Competitions and Challenges and in accordance with the conditions set out in the public call.

6. "Project Proposal" means a project submitted in the open call for awarding funds within a specific competition or challenge of the Fund financed through a co-financed grant in accordance with the criteria and procedures set out in the Rules for Competitions and Challenges.

7. "Public call" means a call for submitting project proposals published in the media that contains the conditions for participation, the deadline for submission, and the necessary documentation for applying to a competition or challenge organized by the Fund, in accordance with the conditions set forth in Rules for Competitions and Challenges.

II. GENERAL CHARACTERISTICS

General goals of the competitions and challenges

The general goals of the competitions and challenges organized and conducted by the Fund are:

- encouraging innovation and entrepreneurial spirit in micro, small and medium-sized enterprises by designing new solutions to community issues and developing new businesses through implementation of these solutions;

- developing innovative products, services, processes, activities or methodologies that offer practical and socially useful solutions to specific issues or problems in priority areas of science and technology; and

- encouraging cooperation between the private sector on the one hand and higher education and research institutions, enterprises, civil associations and other forms of cooperation on the other.

Target group

The competitions and challenges are designed to encourage innovation in various forms of legal entities such as micro, small and medium-sized enterprises, associations, higher education institutions and other legal entities that wish to conduct research and development activities and/or develop an innovative product, service, process, activity or methodology, independently or in collaboration with another legal entity.

Awards

Through the competitions and challenges, the Fund provides awards in the form of grants and/or technical assistance.

The exact amount of the awards shall be determined with the public call for participation at a competition/challenge in accordance with the objectives and scope of the competition/challenge.

The public call can also determine the percentage of participation of the competitor or the awarded beneficiary in the total budget.

Funds received from the Fund on any other basis or any other state aid shall not be considered as eligible for co-financing by a competitor.

Project duration period

The duration of the project for which funds are awarded through competitions or challenges can be up to 24 (twenty-four) months.

The Fund may, subject to justified circumstances, approve extensions of the project implementation for up to six months.

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

III. ELIGIBILITY CRITERIA FOR THE COMPETITORS

Project-proposals can be submitted by a single competitor.

The general eligibility criterion a competitor must meet is:

- To be a legal entity registered in the Central Register of the Republic of North Macedonia; and
- To be predominantly owned by Macedonian citizens, in the case when it is specified in the public call.

In the case of a legal entity established under the to be a micro, small or medium-sized enterprise facing no problems (an enterprise facing problems is an enterprise which is unable to fulfill its obligations from its own resources or with the resources it can provide from its owner/shareholders or creditors to stop losses, which without external intervention by the providers will surely lead to short and long term termination of the business).

The individual competitor may submit the project-proposal in a partnership or consortium, if this possibility is provided for in the public call.

Specific eligibility criteria for competitors, as well as members of the partnership and consortium (if applicable), shall be set out in the public call for competition/challenge in accordance with the objectives and scope of the competition/challenge.

Purpose of the funds

Funds received from the Fund should be used for activities aimed at developing and implementing the proposed innovation such as:

- research and development activities;
- testing activities;
- activities related to intellectual property protection;
- design;
- development of pilot lines;
- activities related to quality assurance, standardization and accreditation; and
- marketing and sales activities (aimed at bringing innovation to investment readiness and maturity to market).

The above list of activities is not restrictive, the specific activities that may be financed are regulated in the public call for competition according to the objectives and the area of the competition / challenge.

Costs eligible for financing

Costs eligible for financing under the project proposals submitted to the competitions i.e. challenges are:

- gross salaries - the amounts of gross salaries paid to project employees should reflect the awarded beneficiary's practices prior to the start of the project;
- procurement and/or rental of research and development equipment and supplies;
- hiring experts / advisors for research and development;
- engaging consultants for other needs directly related to the expected outcomes of the challenge (expertise related to innovation management, financial management, mobilization of additional funds, business development, marketing, legal affairs, intellectual property protection, etc.);
- quality assurance, standardization and accreditation;
- office and business support (office space rent, overheads, bank commissions, accounting services, hosting, etc.);
- costs for promotion of project results;
- travel expenses, accommodation costs, registration fees and per diems related to the goals related to the competition/challenge; and

- administrative costs (bank fees, submission of annual statement for the project's special account, costs for publishing a public procurement call).

The specific costs permitted for funding are regulated in the public call for participation at a competition/challenge according to the objectives and the competition/challenge area. Every public call for competition/challenge does not have to include all of the above costs as eligible costs.

Costs non-eligible for financing

Costs that are not eligible for financing under the project proposals submitted to the competitions i.e. challenges are:

- repayment of interest or debt to another party;
- expenses and commissions for past or possible future losses or debts;
- coverage of losses on currency exchange, taxes and penalties;
- entertainment and hospitality costs;
- recruitment costs (costs for publishing job announcements, commissions from employment agencies, costs related to selection of candidates, etc.) and relocation costs;
- purchase of land or buildings, including renovation;
- cash payment from the special project account;
- export activities (costs directly related to exporting products, establishing and operating a distribution network, etc.);
- annual patent maintenance fees (with the exception of well-justified cases estimated as eligible costs when evaluating project proposals);
- Salary supplements;
- costs for consulting services provided by the owner / s of the awarded beneficiary;
- Renting lease of office space from a lessor who participates in project activities or is a related to the awarded beneficiary;
- procurement of passenger, freight and transport vehicles;
- supply of second-hand equipment; and
- Value Added Tax (VAT), in case when the awarded beneficiary is entitled to VAT refund.

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

Intellectual property rights

In case the project is based on already existing intellectual property rights, the competitor is obliged together with the project proposal to submit proof of intellectual property right in the form of a licensing agreement, “in-kind” contribution agreement or other type of an agreement confirming that the competitor has the right to use the intellectual property on which the project results are based.

The competitor must not knowingly or intentionally infringe the intellectual property rights of any third party.

The Fund will not be responsible for intellectual property rights disputes between the competitor/awarded beneficiary and third parties.

Where applicable, the obligation to protect intellectual property rights and the obligation to transfer intellectual property rights shall be regulated in the public call for participation in a competition/challenge in accordance with the objectives and scope of the competition / challenge.

Environmental protection

Each project proposal submitted in the Fund’s public call for awarding funds having an environmental impact must comply with the Environmental Law and other relevant applicable laws and bylaws of the Republic of North Macedonia.

IV. APPLICATION PROCESS AND AWARDING PROCEDURE

Public call

Funds for competitions or challenges are awarded on a competitive basis under a public announcement that has been previously adopted by the Management Board of the Fund for Innovations and Technology Development.

The public call must be published in at least two public media and on the Fund's website.

The deadline for submission of project proposals will be 90 (ninety) days from the date of announcement of the public call.

The public call must contain the following information:

- date of announcement of the public call;
- description of the goals of competition i.e. the challenge;

- amount of the award i.e. co-financing (if applicable);
- eligibility criteria for competitors;
- list of activities and costs eligible for financing;
- evaluation and selection criteria;
- composition of the Evaluation and Selection Committee;
- manner of submitting the required documentation;
- forms in which the project-proposal should be completed;
- deadline for submission of the required documentation and
- contact information.

All of the above data must be contained in the full public call announced on the Fund's website. A shortened version of the public call will be prepared for its announcement in public media.

Required documentation

When applying for a competition i.e. challenge the following documents shall be submitted:

1. A duly completed Project Application Form;
2. A duly completed Project Budget Form and
3. Additional documentation related to the Competitor, which will be specified within the public call.

The project documentation must be submitted in the forms prepared by the Fund.

Additional documents in case of award

In case a competitor receives an award, the competitor must also submit to the Fund:

- agreements with third parties relevant for implementation of the project (if applicable);
- in case the project is based on already existing intellectual property rights, the competitor is obliged to provide proof of intellectual property right in the form of a licensing agreement, "in-kind" contribution agreement or other type of agreement confirming that the competitor has the right to use the intellectual property upon which the project results are based; and
- data from a separate bank account opened for the needs of the project.

The Fund reserves the right, if necessary, to request other documentation from competitors who are obliged to submit it as soon as possible.

Informative and consultative sessions

During the public call, the Fund may organize info-events, trainings, consulting and mentoring sessions where potential competitors will have the opportunity to receive additional information and expert assistance in the preparation of project proposals.

Competitors will be duly notified of the time and place of informative and mentoring sessions through public media and/or electronically (electronic media and/or email).

V. EVALUATION AND SELECTION PROCESS

Evaluation and Selection Committee

The Evaluation, selection and the decision for awarding, i.e. financing of projects, are the sole responsibility of the Evaluation and Selection Committee of the competition or challenge (hereinafter: Evaluation and Selection Committee).

The Evaluation and Selection Committee shall be designated in the public call and shall comprise of at least 5 (five) members of which:

- One member is a representative of the Fund for Innovations and Technology Development;
- At least one expert in the specific area of the competition / challenge, and
- At least one expert in the field of business development (if applicable).

Evaluation and selection process

The project evaluation is composed of several steps:

- **Administrative verification of the submitted documents** (whether the documentation is complete and in accordance with the eligibility requirements stated in the public call);
- **First evaluation of the project proposal** (pre-selection) and
- **Selection of best project proposals** (including presentation of pre-selected project proposals to the Evaluation and Selection Committee).

Administrative verification of the submitted documents

The administrative verification of the submitted documents is performed by persons employed in the Fund for Innovations and Technology Development authorized by the Director.

In case it is determined that part of the documentation related to the competitor is missing, the competitor has the right to supplement it within the deadline determined by the Fund.

If the competitor has not submitted the required documentation in accordance with the conditions set out in the public call, it shall be considered incomplete.

Minutes shall be drawn up from the administrative verification of the submitted documents.

Upon completion of the administrative verification, each complete documentation is submitted to the members of the Evaluation and Selection Committee.

Evaluation and selection criteria

The evaluation criteria and the number of points for the selection of the project proposals are regulated in the public call for participation in a competition/challenge according to the objectives and the area of the competition/challenge.

The members of the Evaluation and Selection Committee evaluate the project proposals according to the established criteria. Each project proposal that receives at least 51% of the total points goes to the selection phase.

The final points within the evaluation criteria are given by the members of the Evaluation and Selection Committee in the selection phase, after the presentation of the project proposals by the pre-selected contestants.

The Evaluation and Selection Committee prepares Minutes for the selection phase.

The projects that have the highest number of points after the selection phase will be awarded. When selecting awarded projects, the amount of funds available under the public call will also be taken into account.

The Fund reserves the right to negotiate with competitors regarding the definition of project activities and budget on the basis of recommendations received from the Evaluation and Selection Committee, prior to the signing of the Award Granting Contract, if this provision is stated in the public call. The Fund reserves the right not to award grants if there are insufficient quality project proposals or the prerequisites for awarding under these Rules and the conditions set forth in the Call for Proposals are not met.

The deadlines for applying, pre-selection, selection and awarding decision will be defined within the public call. The Fund reserves the right to amend these deadlines.

VI. PROJECTS IMPLEMENTATION

Elements of the Award Granting Contract

(1) Competitors who have been granted an award shall be invited to sign an Award Granting Contract within 30 (thirty) days from the date of the decision.

(2) Compulsory elements of the award contract are:

- contracting parties;
- subject of the contract;
- definitions and interpretation;
- value of the contract;
- duration of the project;
- rights and obligations of the Fund and the awarded beneficiary;
- force majeure;
- termination of the contract;
- final provisions and
- project application and project budget.

Payment of funds

Payment of funds is made to a separate bank account opened for the needs of the project.

The funds shall be paid in advance, on a quarterly basis, in accordance with the Project Budget, unless otherwise specified in the public call.

In the case of quarterly payments, the funds for each subsequent installment will be disbursed to the separate account once the following conditions have been met:

- Approved quarterly progress report (narrative and financial section), unless otherwise specified in the public call;

- at least 70% (seventy percent) of pre-budgeted funds spent for the determined purpose, and

- proof of payment of own co-financing for the following quarter in the form of bank statement (if applicable).

If the Public Call provides for co-financing by the awarded beneficiary, funds for the first installment will be disbursed to the Project Special Account after signing the Award Granting Contract, after the Beneficiary submits proof to the Fund of his / her own co-financing payment for the first quarter in the form of a bank statement.

For all awards exceeding MKD 300.000, the Fund retains from the last payment 5% of the total amount of the award granted by the Fund. This amount is paid to the awarded beneficiary after approval of the Project Final Report.

Technical assistance to the awarded beneficiary

For the project duration, the Fund may provide additional training, consulting and mentoring sessions for the beneficiaries of the awards in order to implement the project more successfully.

Obligations of the awarded beneficiary

The Beneficiary is required to implement the Project in accordance with the terms and conditions set forth in the Public Call, Rules for Competitions and Challenges and the Award Granting Contract, as well as in accordance with the current technical, economic, financial, management, environmental and social standards and practices and in accordance with the laws and bylaws of the Republic of North Macedonia.

The Beneficiary is required to implement the project effectively and efficiently, in accordance with the project application and project budget.

The awarded beneficiary is required to maintain a financial management system and maintain a separate financial and accounting records in accordance with the international accounting standards and in a manner most appropriate for the project activities, available resources and project-related costs and will prepare financial reports in accordance with the accounting on cash basis, clearly presenting the payment receipts and payments for the quarter to which they relate, in a manner corresponding with the activities, resources and costs associated with the project.

The Fund will require the awarded beneficiaries, as well as selected suppliers, consultants and project participants, to adhere to the highest ethical standards under the Anti-Corruption Law, in order to prevent corruption and related occurrences during the implementation of the contract.

Procurement of goods and services

The awarded beneficiaries is obliged to make any the purchase of goods and services in accordance with the acceptable commercial practices:

- When carrying out the procurements foreseen in the project, the beneficiaries should take into account the economic need, efficiency, transparency and duration of the procurement procedure as well as the quality of the goods and services procured.

- For procurements exceeding 300,000.00 (three hundred thousand) denars, the awarded beneficiary should conduct a tender procedure by collecting at least three bids. The awarded beneficiary should submit to the Fund for approval the documentation for each stage of the tender procedure (like the public call, selection criteria, contract, etc.). In well-justified cases, these procurements may be carried out without a tendering procedure upon a prior approval by the Fund. In cases where funds are provided by international organizations (donors and lenders) or third countries, and they have prescribed special requirements for the procurement of goods and services, the awarded beneficiary is obliged to take them into account when carrying out the procurement.

Where applicable, agreements between the awarded beneficiary and third parties should include provisions related to intellectual property protection, conflict of interest prevention, auditing and environmental impact.

Regulations on the donor visibility

During the implementation of the project, the awarded beneficiary is obliged to mark all the promotional materials for the project with the logo and name of the Fund and to clearly state that the project is implemented with the support of the Fund.

The equipment purchased through the Fund-supported project must be clearly marked with the Fund's logo, as well as with the note: "*Supported by the Fund for Innovations and Technology Development of the Republic of North Macedonia*". In cases where funding for the project is also provided by international organizations (donors and lenders) or third countries, the awarded

beneficiary is obliged to take into account the rules of their visibility. If the awarded beneficiary owns a website, they are obliged to publish brief information about the support provided by the Fund.

If the awarded beneficiary publishes or makes a media statement regarding the project, they are obliged to mention the support provided by the Fund.

Changes in the project

Any change in the project should be justified in order to achieve the expected project results.

Any significant deviation from the project application and project budget (changes in the plan of activities, change of project expected results, change of key project people, etc.) must be approved by the Fund in advance.

The awarded beneficiary is entitled to reallocate funds in a total amount of 10% (ten percent) of the total project budget for the entire project duration in order to achieve the expected project results. The awarded beneficiary is obliged to inform the Fund for such reallocation within the quarterly reports and the final report.

Any reallocation exceeding 10% (ten percent) of the total project budget must be pre-approved by the Fund.

The fund aims to encourage innovative activity and risk-taking. Since innovative projects often develop differently from initial expectations, this factor will be taken into account when making decisions to approve project changes.

Keeping documentation

The awarded beneficiary is obliged to keep all project documentation from the beginning of project implementation.

Mandatory project documentation contains:

- all documentation submitted when applying to the project/challenge;
- all official communication documents between the awarded beneficiary and the Fund during the period of application for the competition or challenge;
- Award Granting Contract;
- all official documents during the project implementation period;

- original copies of all reports submitted to the Fund;
- Report approval notices submitted by the Fund;
- original copies of all invoices and
- all other documents, including contracts with third parties, and other proof of payment associated with the project.

The awarded beneficiary is obliged to keep the above documentation for at least 5 years after the completion of the project.

VII. SUPERVISION, MONITORING AND EVALUATION OF THE PROJECT RESULTS

Manner of supervision implementation

The Fund oversees the project by reviewing of reports submitted by the awarded beneficiary, conducting field visits and/or evaluating project results.

Purpose of the supervision

The purpose of supervision is to monitor the progress of the project and the implementation of the planned activities, to verify that the costs incurred are in accordance with the approved project budget for the given period and in accordance with the Fund's procedures, as well as to evaluate the results achieved after project completion.

Methods of supervision include:

- reviewing and approving reports submitted by the awarded beneficiary, and
- field visits of beneficiaries and partners (if applicable) in the project.

Supervision is performed by monitoring teams appointed by the Fund Director.

Reports to be submitted by the awarded beneficiary

The awarded beneficiary shall submit the following reports to the Fund:

- Quarterly progress report (narrative and financial part) which the awarded beneficiary is obliged to submit for the duration of the project within 14 (fourteen) days after the expiration of a quarter, (if applicable) and

- Final report (narrative part and financial part) which the awarded beneficiary is obliged to submit within 30 (thirty) days after the expiration of the last calendar day of the project.

The reports shall be completed in the forms specified by the Fund.

The reports are reviewed by the monitoring teams appointed by the Director of the Fund. In the event of identified irregularities in the reporting that can be corrected by the awarded beneficiary, the Fund shall notify the awarded beneficiary of the identified irregularities with a request to remove the irregularities and submit a revised report.

In case the report is duly completed and submitted, the Director of the Fund, upon recommendation by the monitoring teams, approves the report and submits the approval to the awarded beneficiary.

The monitoring team has the right to ask the awarded beneficiary for additional information and documents related to the reports, as well as to make an unannounced field visit to the beneficiary to verify the information provided in the reports.

Field visits

Monitoring teams must make at least one site visit per project within 12 months. The Fund has the right to carry out more field visits if necessary.

Field visits include visiting the awarded beneficiary and meeting with key project people to oversee project implementation (e.g. adherence to procedures, achievement of projected results, adherence to time limits, adherence to contract award provisions, etc.).

The field visit can be announced or unannounced. In case of the announced field visit, the monitoring team sends to the awarded beneficiary a field visit notification containing details of the location, time of visit, persons to be present, documentation and equipment to be available for inspection. The field visit notification shall be provided at least 7 (seven) days prior to the field visit.

The monitoring team shall prepare a report of the field visit performed, including the course of the site visit, the persons attending the site visit, the documentation reviewed, the remarks identified by the team, any irregularities identified, guidelines and deadlines for removing any irregularities, etc.

The monitoring team submits a notification to the awarded beneficiary of a field visit. In case of irregularities found, the awarded beneficiary is obliged to take measures in accordance with the guidelines and deadlines stated in the notification.

Obligation of the awarded beneficiary to facilitate the monitoring

The awarded beneficiary is obliged to adhere to the procedures and to enable the Fund to easily monitor the implementation of the project.

The awarded beneficiary is obliged to enable the Fund or persons authorized by the Fund to carry out in-depth analysis of the project implementation, its activities and results at any time, as well as to audit the project and financial documentation related to the project. The Beneficiary is obliged to prepare and submit all relevant project related documents to the Fund upon request.

Changes in ownership structure

In the event of a possible change in the dominant ownership structure (over 50.1% of ownership) and/or a change in the dominant Macedonian ownership structure (over 50.1% of ownership), the awarded beneficiary is obliged to seek approval for the change by the fund. This obligation does not apply in case of death of the owner / partner and / or shareholder and conduct of probate proceedings.

In relation to the above request, the Fund is obliged to make a decision as soon as possible.

In the event of a change in ownership structure that does not constitute a change in the dominant ownership, the awarded beneficiary is obliged within 15 (fifteen) days from the date of registration of the change in the Central Register of the Republic of North Macedonia to notify the Fund of the change occurring. This obligation does not apply in case of death of the owner/partner and / or shareholder and conduct of probation. At the time of the change, the awarded beneficiary is obliged to maintain the dominant Macedonian ownership structure.

The awarded beneficiary's obligation to seek approval by the Fund for a change in the dominant ownership structure and/or dominant Macedonian ownership structure of the awarded beneficiary is intended to prevent third parties from attempting to establish control over the awarded beneficiary and lasts until fulfillment of all obligations to the Fund under the awarded granting contract.

In the event of a change in the dominant ownership structure (transfer of ownership share and/or shares) to the new owner of the awarded beneficiary, he/she should assume all legal obligations and responsibilities under the Grant Awarding Contract and sign a project extension statement and confirmation on the timeline with a statement of assuming responsibilities.

If, during the project implementation period and while liabilities to the Fund are still in force, the awarded beneficiary changes the dominant ownership structure and/or dominant Macedonian ownership structure without prior approval by the Fund, transfers the company, activities and / or transfers the right to own the technology / products / services incurred during the project outside the country in any way, the awarded beneficiary will have to pay 100% of the amount of funds awarded. If the awarded beneficiary plans to terminate or liquidate the company, it shall be obliged to inform the Fund in advance.

If, during the project implementation period and while the obligations to the Fund are still in force, the new owner of the awarded beneficiary changes the dominant ownership structure and/or dominant Macedonian ownership structure without prior approval by the Evaluation and Selection Committee, closes or liquidates or transfers the business, activities and/or transfers of ownership of technology/ products / services created during the project outside the country in any way the new user will have to pay 100% of the amount of funds allocated.

Change of status

In the event of a possible change in the status - division of the award beneficiary, merger or acquisition of the award beneficiary, the awarded beneficiary is obliged to seek approval of such change by the Fund.

In relation to the above request for approval of the change, the Fund is obliged to make a decision as soon as possible.

If the Fund gives consent to the status change-division of the award beneficiary, merger or acquisition of the award beneficiary, the new owners of the award beneficiary, the legal successor (enterprises with which the awarded beneficiary has affiliated, which has acquired the awarded beneficiary or to which the awarded beneficiary transferred assets- newly established or existing enterprises) within 15 (fifteen) days after the registration of the change in the Central Register of the Republic of North Macedonia shall conclude an annex to the award granting contract.

The award beneficiary's obligation to seek approval from the Fund to change the status of the awarded beneficiary shall continue until all obligations to the Fund under the award granting contract have been fulfilled.

If, in the period while the obligations to the Fund are still valid, the new legal successor (enterprises with which the awarded beneficiary has affiliated, which has acquired the awarded beneficiary or to which the awarded beneficiary transferred assets- newly established or existing enterprises), closes or liquidates or transfers the company, activities and/or transfers ownership of technology / products / services incurred during the project outside the country in any way will have to pay 100% of the amount of the funds granted.

In order to control any possible changes in the dominant ownership structure, dominant Macedonian ownership structure and / or status change, the Fund may at any time request the awarded beneficiary to submit a new Statement of Current Status issued by the Central Register of the Republic of North Macedonia (not older than 8 (eight) days).

VIII. TERMINATION OF FINANCING AND TERMINATION OF THE AWARD GRANTING CONTRACT

Contract Termination

In case of termination of the Award Granting Contract, the beneficiary shall return part of or all the received funds, in compliance with the contract terms and conditions.

Payments made by the awarded beneficiary to the Fund should be made in denars.

For any delay in payment of funds by the Beneficiaries to settle the liabilities to the Fund within a period of more than 30 (thirty) days, the Fund shall send written notice to the Beneficiary of such delay.

For any delay in payment of funds to the Fund by the Beneficiaries for more than 60 (sixty) days, the Fund shall send a second written notice to the Beneficiary of such delay.

For any delay in payment of funds to cover liabilities to the Fund by the Beneficiaries of the Award for more than 90 (ninety) days, the Fund shall terminate the Award Granting Contract and the Beneficiary shall be liable for the obligations in accordance with the provisions of the contract.

Termination of funding

The Fund has the right to terminate the funding, as well as to terminate the Award Granting Contract in the event of fraud and breach of the Award Granting Contract obligations and/or the provisions of these Rules for Competitions and Challenges, and in particular in the following cases:

1. If the awarded beneficiary does not use the approved funds for the designated purpose, including a reallocation of funds in percentage that is higher than the specified percentage from the total project budget without the prior written consent of the Fund;

2. If the awarded beneficiary, with the intent to deceive, provides incorrect data during the award procedure and for the duration of the Award Granting Contract which has a material impact on the project;

3. If the recipient of the award does not introduce appropriate policies and procedures that will enable the Fund to monitor and evaluate project progress;

4. If the awarded beneficiary fails to prepare financial statements in accordance with accounting standards in a manner that appropriately reflects project-related activities, resources and costs;

5. If the awarded beneficiary at the request of the Fund does not permit an audit by an independent auditor and/or audit professional appointed by the Fund;

6. If the awarded beneficiary fails to provide the Fund or persons designated by the Fund with an insight into the implementation of the project, its activities, the results achieved, all relevant project documents, or the accounts and/or to submit them to the Fund at its request;

7. If the awarded beneficiary does not notify the Fund of any significant change that has a material impact on the project;

8. If the recipient of the award violates the provisions of the Rules for Competitions and Challenges relating to fraud and corruption;

9. Failure of the awarded beneficiary to seek consent for a status change and/or change in the dominant ownership structure and / or dominant Macedonian ownership structure in order to prevent any attempt by third parties to establish control over the awarded beneficiary;

10. If the awarded beneficiary fails to comply with the provisions of the Rules for Competitions and Challenges concerning status changes and / or ownership structure changes;

11. Upon the request of the awarded beneficiary or the monitoring team, if an inevitable impediment of technical or market character, brings into question the future project results.

Decision on temporary suspension of the funding

In the event of any of the foregoing circumstances of these Rules for Competitions and Challenges, the Fund reserves the right to make a decision to suspend funding temporarily and / or to request a refund in whole or in part of the funds paid to the Beneficiary under the reward up to that point.

Along with the decision for temporary suspension of the financing, the Fund shall also send a written notification to the award Beneficiary, informing them of any breaches of the Award Granting Contract and requesting the recipient of the award to remove the violations within a time limit specified by the Fund.

At the request of the award beneficiary, the Fund may approve the awarded beneficiary for an additional 30 (thirty) days to eliminate violations.

In the event that the Awarded beneficiary exceeds the identified violations, the Fund will make a decision to withdraw the temporary suspension of funding.

In the event that the awarded beneficiary fails to eliminate the breaches identified within the deadlines set forth above, the Fund will decide whether to terminate the Award Granting Contract.

Decision to terminate the Award Granting Contract

In the event of occurrence of any of the circumstances for termination of the contract specified in the Rules for Competitions and Challenges, the Fund reserves the right to make a decision to terminate the Award Granting Contract and/or to request a refund in whole or in part of the funds paid to the awarded beneficiary up to that point.

The decision to terminate the Award Granting Contract is made by the Fund.

If the Award Granting Contract is terminated for any reason covered by these Rules for Competitions and Challenges, and the funds awarded are not spent, the awarded beneficiary shall return to the Fund the full amount of the unspent funds within 8 (eight) days at the latest from the day when the Fund so requests, otherwise it shall be considered in delay and it may be obliged to pay legal penalty interest for such amount in accordance with the Obligations Act calculated from the date of delay until the final payment.

If, in the event of an unavoidable technical or market character, future project results are called into question, the awarded beneficiary will be required to submit documentation to the Fund and request termination of the project and funding. Subsequently, the Fund will determine whether there is justifiable evidence of an unavoidable impediment that brings into question the future results of the project and will make an appropriate decision. If the Fund determines that the conditions stated as an inevitable impediment are met, the awarded beneficiary will not be obliged to return the funds awarded.

Failure by the awarded beneficiary to seek consent for a status change and/or change in the dominant ownership structure and/or dominant Macedonian ownership structure in order to prevent any attempt to establish third party control over the awarded beneficiary and/or if the awarded beneficiary does not comply with the provisions of the Rules for Competitions and Challenges relating to the status change and / or ownership structure change, the awarded beneficiary is obliged to pay to the Fund 100% of the amount of the funds awarded.

All payments should be paid to the Fund in denars.

In the event that the awarded beneficiary fails to meet the requirements of these Rules for Competitions and Challenges, the safeguards established by the provisions of the Award Granting Contract will apply.

VIII. FINAL PROVISIONS

As of the day on which the present Rules become effective, the Rules on organizing and conducting competitions and challenges for encouraging the innovation in priority areas of the science and technology No. 01-494/4 of November 28, 2017 and No. 01-1377/6 of 06.06.2019 shall cease to be effective.

No. -----

President of the Management Board of the Fund for
Innovations and Technology Development

Skopje, 20.01.2020