



Guidelines for MSEs as Final Recipients

“EmBRACE”

**(Enhancing MSEs sustainable gRowth And
CompEtitiveness)**

**Interreg VI-A IPA Croatia – Bosnia and Herzegovina –
Montenegro 2021-2027 Programme**

**Deadline for the submission of applications: June 18 -
September 17 2024
EmBRACE Platform**

Contracting Authority:

Small Project Fund Beneficiary:

Croatian Agency for SMEs, Innovation and Investments (Ksaver 208 10000 Zagreb)

Foreword

These guidelines present the main rules, requirements and procedures to apply for funding from “EmBRACE” (Enhancing MSEs sustainaBle gRowth And CompEtitiveness) Interreg VI-A IPA Croatia – Bosnia and Herzegovina – Montenegro 2021-2027 Programme. In order to foster SME growth and support their tendencies for digital transformation, the Programme has set up a Small Project Fund (SPF) for MSEs as Final Recipients. Through this incentive, support will be given to the development and adaption of business models, products, services and processes that strengthen the resilience and adaptation of businesses to climate change and implement new digital technologies in their work. Although the SME sector represents an important opportunity for local economies, it faces many challenges such as fragmentation, limited financial and managerial capacity of entrepreneurs, low turnover, lack of innovation, limited product range, and low export capacity. Participating Countries (PC) lag behind in competitiveness compared to other European Union (EU) Member States. The level of skills and experience needed for adding value to products and marketing them, especially internationally, is relatively low. The area lacks a skilled labour force, so it is necessary to invest in human capacity building for the implementation of new technologies and smart business solutions. To address the above-mentioned remarks, the Programme established a SPF especially targeting SMEs. Businesses will be directly supported via the SPF mechanism.

General information about the Programme and cross-border cooperation as well as the regulatory framework can be found on the Programme website (<https://interreg-hr-ba-me.eu/>) as well as in other supporting documents for the call:

- Programme Manual on Eligibility;
- Call announcement.

The documents for project implementation to be prepared by the SPFB will also be available on the EmBRACE website:

- Evaluation manual;
- Reporting manual;
- VISIBILITY and COMMUNICATION GUIDELINES for the Final Recipients under EmBRACE project;
- Procurement Guidelines.

Restrictions or specific rules, if any, will be explained in this Document.

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List of abbreviations:

EU – European Union

FLC – First Level Control

FR – Final Recipient

GfA – Guidelines for Applicants

IT – Information Technology

JS – Joint Secretariat

MA – Managing Authority

MSE – Micro and Small-sized Enterprises

PMT – Project Management Team

SC – Selection Committee

SCO – Simplified Cost Options

SME – Small and Medium-sized Enterprises

SP – Small Project

SPA – Small Project Application

SPF – Small Project Fund

SPFB – Small Project Fund Beneficiary

List of annexes

1. Subsidy Contract

1. Introduction

1.1. Programme background

The Guidelines for the Small Project Fund Final Beneficiary (hereinafter referred to as Final Recipient or FR) establishes detailed procedures for the management and implementation of the Small Project Fund (**hereinafter referred to as "SPF"**). SPF is part of the Interreg VI-A IPA Programme Croatia-Bosnia and Herzegovina-Montenegro for the financial period 2021-2027. (hereinafter referred to as the "Programme"), which is implemented in cross-border area between Croatia, Bosnia and Herzegovina and Montenegro. The principles of managing SPF implementation for MSEs are contained in these Guidelines for MSEs as FRs (hereinafter: Guidelines). Support to Small Projects under SPFs will be organised as defined in Article 2(10) of the CPR and Article 25 of the Interreg Regulation. The FRs within the SPF shall receive support from the IPA III instrument through the SPFB and implement the Small Projects within that SPF.

1.2. Legal Background

The foundation of the EmBRACE project is based on the following EU legislation, Programme rules and guidelines and national legislation:

- Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021, laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (Common Provisions Regulation – CPR);
- Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund and Corrigendum to Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (Official Journal of the European Union L 231 of 30 June 2021) (ERDF Regulation);
- Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (Interreg Regulation);
- Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III);
- Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing directive 95/46/EC (General Data Protection Regulation, hereinafter referred to as GDPR);
- Regulation (EU, EURATOM) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union;
- Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC;
- Interreg VI-A IPA Programme Croatia-Bosnia and Herzegovina-Montenegro, Version 1.1., approved by Commission Implementing Decision No C (2022) 8028 from 3 November 2022 (hereinafter referred to as the Programme).

1.3. Programme level bodies

Programme

The cross-border cooperation program the Interreg VI-A IPA Programme Croatia-Bosnia and Herzegovina-Montenegro for the financial period 2021-2027 continues the Operational Programme for Cross-Border Cooperation 2014-2020 and is intended to support and develop the border areas and cross-border cooperation between Croatia, Bosnia and Herzegovina and Montenegro.

National Authorities – NA

The NAs of the participating countries, Sector for coordination of European Territorial Cooperation programmes and Macro-Regional strategies within the Ministry of Regional Development and EU Funds of the Republic of Croatia, Directorate for European Integration in Bosnia and Herzegovina and Ministry of European Affairs in Montenegro, are responsible for setting up and ensuring efficient functioning of the respective national control systems. Furthermore, NAs are responsible for ensuring the implementation of the decisions taken by the MC.

Managing Authority – MA

The MA is responsible for managing the Programme to deliver the objectives of the Programme. The MA is responsible for the effective and efficient implementation of the Programme in line with sound financial management, as well as for the application of proper regulations and rules concerning its implementation. Inter alia, the MA is responsible for launching the Calls for Proposals and contracting the operations. MA is the Sector for Managing Interreg Cooperation Programmes placed in the Directorate for European Territorial Cooperation within the Ministry of Regional Development and EU Funds of the Republic of Croatia.

Selection Committee – SC

The SC is the body responsible for managing the selection of project parts and of the FRs that will implement them as part of the EmBRACE pilot project. The SC is to decide on the project proposals submitted in the framework of the EmBRACE pilot project.

Joint Secretariat – JS

The JS assists the MA and MC in carrying out their functions. The JS undertakes the day-to-day implementation and provides support to the applicants in the project development phase and beneficiaries in the project implementation phase. The JS is placed within the Sector for Managing Interreg Cooperation Programmes in the Ministry of Regional Development and EU Funds of the Republic of Croatia. Besides JS headquarters in Zagreb, branch offices are set in Bosnia and Herzegovina (Mostar and Banja Luka) and Montenegro (Podgorica) to ensure smooth and efficient programme implementation.

Small Project Fund Beneficiary – SPFB

The SPFB is responsible for the sound and prudent management of the selection of the FRs. The FRs of the selected Small Project Applications shall sign a contract with the SPFB. The SPFB operates the online [EmBRACE Platform](#) as the official web portal of the SPF. The Small Project Applications can be submitted online through this [EmBRACE Platform](#). The SPFB is obliged to sound administrative and financial management of the SPF, including submission of the project level progress reports and final report, accompanied by the payment claims to the JS. All monetary transfers are sent by the MA to the SPFB, the SPFB's responsibility is to transfer the grant amounts verified to the FRs (MSEs). The SPFB is the HAMAG-BICRO – Hrvatska agencija za malo gospodarstvo, inovacije i investicije (Croatian Agency for SMEs, Innovations and Investments) for the EmBRACE project.

HAMAG-BICRO – Hrvatska agencija za malo gospodarstvo, inovacije i investicije (Croatian Agency for SMEs, Innovations and Investments)

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Final Recipient –FR

The FR is a micro and small entrepreneur that has a seat or a branch operating in the Programme area that has successfully formed a partnership and whose Small Project Application has been selected for financing by the SC.

Small Project –SP

Article 2(10) of the CPR defines the SPF as '(...) an operation in an Interreg programme aimed at the selection and implementation of projects, including people-to-people actions, of limited financial volume'.

2. Project requirements

Project requirements are composed of several elements written in detail below. Including partnership requirements, eligibility with reference to the classification of MSEs according to the number of employees, total annual turnover, years of operation, geographic requirements, professional and financial background.

2.1. Partnership requirements

SPs should consist of at least two (2) cooperating FRs from different participating Countries (PCs) out of which one must be from a Member State (Croatia). The maximum number of FRs in one SP is four (4).

However, the SPFB will highly encourage the partnership consisting of partners from all three (3) PCs. In the assessment phase, **such partnership will be awarded 5 points.**

Each SP Applicant should have its seat (headquarters) or its branch and should operate in the Programme area for at least one year prior to date of Small Project application submission.

By signing the Partnership Statement and Declaration in the SPA form, FRs make a statement on the partnership in the SP. **In case an entrepreneur has enterprises operating in the Programme area in several countries under the same and/ or different name only one of the companies can apply per each call. There cannot be a partnership from the same owner representing different countries or regions.**

Support to Small Projects (SPs) under SPF will be organised as defined in Article 2(10) of the CPR and Article 25 of the Interreg Regulation. The FRs within a SPF shall receive support from the ERDF and IPA III through the SPFB and implement the SPs within that SPF.

2.2. Eligibility of partners

2.2.1. Legal status

FRs should fall into the category of small and medium-sized enterprises (SMEs) stipulated in 651/2014/EU Regulation, Annex 1.

According to 651/2014/EU Regulation, Annex 1, micro and small enterprises may all be recipients of the EmBRACE project.

classification of enterprises:

Micro enterprise (<= 10 employees and annual turnover ≤ EUR 2 million, or balance sheet ≤ EUR 2 million);

Small enterprise (10-49 employees and annual turnover >EUR 2 million ≤ EUR 10 million or balance sheet in > EUR 2 million - ≤ EUR 10 million).

By signing the Partnership Statement and Declaration in the Small Project Application (SPA) form, FRs will make a statement on the partnership in the EmBRACE Project. After the selection of the project for granting by the Selection Committee, in order to clarify the roles and responsibilities on the level of the project, the SPFB shall sign a contract with the FR, including the commonly defined project level indicators and results before contracting.

Like regular cross-border cooperation project partnerships, a partnership of each SP should be well balanced with a rational and efficient division of tasks and responsibilities among FR. A SP partnership shall be composed of FRs that may be linked professionally to the EmBRACE Project and that may have a

significant contribution and impact within the partnership. For the sake of an operable and effective partnership, it must aggregate partners with common needs and objectives, while specific knowledge and expertise have to be ensured throughout.

2.2.2. Geographic eligibility rules

The Programme area is relatively large and heterogeneous in geographical terms and other socioeconomic factors that result in certain distinctions in various micro-regions (e.g., north and south of Bosnia and Herzegovina or Croatia), whose areas of interest are different, but the Programme has ensured all key areas are present in the intervention logic in order to meet all expectations. **The Programme area covers the territory of border areas between Croatia, Bosnia and Herzegovina, and Montenegro.** Calculated in numbers, the Programme area covers 12 counties on the Croatian side, Brčko District of Bosnia and Herzegovina and 109 municipalities/cities on the side of Bosnia and Herzegovina and 12 municipalities on the side of the Montenegrin border.

PROGRAMME AREA	
CROATIA	12 counties: Brod-Posavina County, Vukovar-Srijem County, Karlovac County, Sisak-Moslavina County, Lika-Senj County, Zadar County, Šibenik-Knin County, Split-Dalmatia County, Dubrovnik-Neretva County, Bjelovar-Bilogora County, Požega-Slavonia County, Zagreb County.
BOSNIA AND HERZEGOVINA	Brčko District of Bosnia and Herzegovina and 109 municipalities: Bijeljina, Teočak, Ugljevik, Lopare, Tuzla, Lukavac, Čelić, Srebrenik, Petrovo, Gračanica, Doboj Istok, Gradačac, Pelagićevo, Donji Žabar, Orašje, Domaljevac-Šamac, Šamac, Modriča, Vukosavlje, Odžak, Brod, Srebrenica, Bratunac, Milići, Han-Pijesak, Vlasenica, Kladanj, Šekovići, Kalesija, Osmaci, Zvornik, Banovići, Živinice, Sapna, Prnjavor, Srbac, Laktaši, Čelinac, Kotor Varoš, Kneževo, Dobretići, Šipovo, Jajce, Jezero, Mrkonjić Grad, Banja Luka, Gradiška, Kozarska Dubica, Prijedor, Oštra Luka, Sanski Most, Ključ, Ribnik, Glamoč, Bosansko Grahovo, Drvar, Istočni Drvar, Petrovac, Bosanski Petrovac, Bosanska Krupa, Krupa na Uni, Novi Grad, Kostajnica, Bužim, Velika Kladuša, Cazin, Bihać, Doboj, Derventa, Prozor/Rama, Konjic, Nevesinje, Gacko, Bileća, Trebinje, Ravno, Ljubinje, Berkovići, Mostar, Jablanica, Kupres, Kupres (RS), Tomislavgrad, Posušje, Široki Brijeg, Čitluk, Stolac, Neum, Čapljina, Ljubuški, Grude, Livno, Istočni Mostar, Doboj Jug, Kakanj, Maglaj, Tešanj, Usora, Zavidovići, Zenica, Žepče, Bugojno, Busovača, Donji Vakuf, Gornji Vakuf-Uskoplje, Novi Travnik, Travnik, Vitez, Teslić.
MONTENEGRO	12 municipalities: Herceg Novi, Kotor, Tivat, Budva, Bar, Ulcinj, Cetinje, Danilovgrad, Nikšić, Podgorica, Tuzi, Zeta.

Map 1: Geographical structure of the Programme area¹



Figure 1: Geographical structure of the Programme area. Graphical representation of the territory covered by the Programme is without prejudice to the settlement of the dispute regarding the extension of the state border between Croatia, Bosnia and Herzegovina and Montenegro.

2.2.3. Professional and financial background

To gain a better understanding of the real economic position of MSEs and to remove from that category groups of enterprises whose economic power may exceed that of genuine MSEs, a distinction should be made between various types of enterprises, depending on whether they are autonomous, whether they have holdings which do not entail a controlling position (partner enterprises), or whether they are linked to other enterprises. **In order to achieve this, MSEs are obligated to fill in relevant data in the Joint Statement that is an obligatory addendum to the SPA.**

Basic eligibility criteria for FRs are as follows (examined by company register extracts/company annual financial reports):

- FR (and/or its owner company having more than 50% of ownership rights over the FRs, and/or its linked enterprises through a natural person, cumulatively) is a MSE (micro and small sized enterprise);
- FRs must have at least one closed business year for seat and/ or branch in the Programme area;
- FRs must employ at least one employee in its last closed business year in the Programme area;
- FR's equity is positive for the last closed business year for seat and/ or branch in the Programme area.

Furthermore, FRs need to comply with the following set of criteria related to their professional and financial background:

- FRs have to take direct responsibility for the preparation and management of their SP part both in a professional and financial point of view and may not act as intermediaries.
- FRs must be experienced and able to demonstrate their capacity to manage their share of activities in the SP.
- FRs must prove their financial and administrative capacity to manage their share of the SP (ensuring pre-financing and own contribution).
- FRs must have at least one employee.

The professional and financial background mentioned above is a part of the SPA and subject of evaluation. This step is necessary to assess the capacity of the MSEs to implement project activities.

All the following criteria are included in the SP Checklist for eligibility criteria that can be found in a separate document.

2.3. Other requirements

Other requirements are listed in detail in the SPA in the final page Declaration of the SPA form. They are also listed in 3.6. Exclusion criteria.

2.4. Co-financing of Small Projects

2.4.1. Type of co-financing

EU contribution to FRs financed from the EmBRACE project is a non-repayable grant.

2.4.2. Co-financing rate

The co-financing rate per directly financed partner is up to **85% of the total eligible expenditure can be requested as a grant from the EmBRACE project**. The rest shall be covered as own contribution of FRs.

2.4.3. Own contribution

Each FR should provide a minimum of 15% of the total eligible expenditure as its own contribution. Own resources can be composed of any kind of financial resources (e.g. money in the bank account, a bank loan and other fund donors) with the exception of grants requested from the EU or from National co-financing resources. Co-financing from other sources of funds (e.g. bank loan, other donors) of own participation in a SP is allowed (min. 15%).

2.5. Small Project size

Minimum and maximum size of SPs in the 1st call for Applications:

		Total eligible costs (100%)	EU co-financing (up to 85%)
Option 1 (SPs up to 100.000 €)	Minimum per SP	20.000,00 EUR	17.000,00 EUR
	Maximum per SP	100.000,00 EUR	85.000,00 EUR
Option 2 (SPs that exceed 100.000 €)	Maximum per SP	235.294,00 EUR	200.000,00 EUR

The project works based on the reimbursement principle, which means that FRs have to pre-finance their activities and the amounts paid are reimbursed after the submission and evaluation of the project progress reports. The reporting process depends on the type of SPs.

SPs that do not exceed EUR 100.000, i.e. using Lump sum will submit a progress report after each of the 3 milestones and proven results. Milestones for each SP will be defined during the precontracting process. After approval of the report, SPFB will make payment towards FRs.

SPs that exceed EUR 100.000 will submit progress reports on a 4-month basis. SPFB will review the submitted reports about SP implementation progress, ask for completion if needed and accept / approve the submitted report. After approval of the report, SPFB will make payment towards FRs.

Payment confirmations about each payment toward FRs will be issued by SPFB. The co-financing rate per directly financed partner is up to 85% EU contribution. The remaining budget (15%) is to be covered by its resources. Own resources can be composed of any kind of financial resources (e.g. money in the bank account, a bank loan other fund donors) except grants requested from the EU or National co-financing resources.

The total value of EU contribution in a SP cannot exceed 200,000.00 EUR regardless of the number of FRs.

The minimum amount of the budget of each FR in the SP is 20% of the total project budget.

The total allocation for the 1st Call is EUR 3,000,000.00, the SPFB reserves the right to modify the allocation depending on the quality of the SPAs.

2.6. Operation state aid rules

The applicants will be obliged to declare the State aid relevance in FR Statement, which is an annex of the SPA, to assess whether the operation activities are considered as State aid.

During the negotiation phase, the operation may undergo a “State aid assessment” by SPFB to identify the state aid relevance of the project on the level of each FR.

The De Minimis Regulation defines a ceiling under which the aid has a negligible impact on trade and competition. The maximum amount of aid granted to a single recipient should not exceed 300,000.00¹ EUR over a period of three fiscal years.

¹ According to the [COMMISSION REGULATION \(EU\) 2023/2831](#) of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis.

This ceiling considers all public assistance given as de minimis funding for the current and previous two fiscal years which can take various forms (grants, loans, subsidised contracts, etc.). Therefore, de-minimis aid is acceptable under this Programme taking into account the set limits.

The de minimis aid granted under the Interreg VI-A IPA Programme Croatia – Bosnia and Herzegovina - Montenegro 2021-2027 includes 33,33 %-aid from Croatia (HR), 33,33 % Bosnia and Herzegovina (BA) and 33,33 % Montenegro (ME). **The maximal amount of the de minimis aid shall be interpreted per Member State and / or IPA member state (separate records shall be kept, cumulation is not possible).**

De minimis aid cannot be cumulated with any other aid grant.

The applicants must report any de-minimis support granted over the past three fiscal years within the De-minimis self-declaration (self-declaration is a part of FRs statements which are parts of the SPA).

All FRs must:

- immediately inform the SPFB of any grants of public funding received after the completion of the self-declaration,
- the SPFB will keep all records regarding de minimis aid for a minimum of 10 years after receiving the final payment.

The SPFB will support the applicants/recipients in the assessment of the existence of state aid/de minimis during contracting/implementation period of the operation.

3. Cooperation criteria

The desired cooperation level requirement within a SP is a value-added cross-border joint technology, service and product development by the cooperating FRs operating on different sides of the border for setting up cross-border supplier networks and/or for jointly engaging in new markets.

Reaching the following additional eligible levels of cooperation means more valuable SP:

- Previous record of development activities and cross-border business cooperations of the FRs;
- Human capacities of FRs and their competencies in relation to the SP content;
- Innovative character of product, technology, or service development;
- Business potential of product, technology, or service development;
- Methodology of project implementation;
- Relevance and preparedness of SP budget.

The level of cooperation is measured following the marketing concept of the Ansoff matrix, determining the SP's product, technology, or service (see Figure 2).

		Product	
		Present	New
Market	Present	MARKET PENETRATION Placing an existing product to an existing market – NOT ELIGIBLE	PRODUCT DEVELOPMENT Introduction of a new product to an existing market

	New	MARKET DEVELOPMENT Finding a new market to an existing product	DIVERSIFICATION Development of a new product to a new market
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Figure 2: Application of the Ansoff matrix in measuring level of cooperation of SPs.

According to the Ansoff matrix the following levels of business cooperation intensity may be identified concerning the SPs (from the lowest to the highest intensity):

PENETRATION: Placing existing product, technology, or service to existing markets of FRs, without entering into each other’s market or third markets. Provision of only promotional intervention that may result a better knowledge about the product, technology, or service on the existing markets. – This is INELIGIBLE for granting from EmBRACE project.

MARKET DEVELOPMENT: Finding a new market to an existing product: an already developed product, technology or service will be placed on a new market (the partner country’s market or a third one), which can be made possible through this cooperation. In this case one of the FRs is the owner of the product, the other one provides an access to the new market (in its own or third country). – This is CONDITIONALLY ELIGIBLE if entering the new market does not mean parallelly reduction of market presence in the FR’s existing markets but increase in total selling.

PRODUCT DEVELOPMENT: Introduction of a new product to an existing market: a new product, technology or service will be developed to a market where one of the FRs are already present. In this case both FRs are co-developers of the product that will be placed on one of their existing markets. In this type of cooperation, the product know-how represents the added value of cooperation. This is ELIGIBLE for granting from EmBRACE project.

DIVERSIFICATION: Development of a new product to a new market: both the developed product, technology or service and the gained market are new. This represents the most advanced level of cooperation that may involve several modality options: one (or more) of the FRs do the product development, other FR(s) give the access to the new market which may be in the partner countries or in third countries. This is the level of cooperation intensity where cooperation of more than two FRs may be necessary. This is the MOST PREFEREABLY ELIGIBLE for granting from the EmBRACE project.

If a new product/technology/service is developed, FRs are obliged to sign a contract with a detailed distribution of ownership of the service/product/technology.

3.1. Project duration

The duration of the projects is **6-12 months**. All projects financed by the EmBRACE project have to be finalised by 31 December 2028.

3.2. Activities outside of the Programme area

Project partners may implement activities outside the Programme area under the following conditions:

- The activity contributes to the objective of the Programme;
- The activity is essential and is for the benefit of the Programme area.

These activities have to be included and described in the SPA.

3.3. Horizontal principles

The FRs have to describe in the SPA form (which will be the subject of assessment), how their proposed project would promote sustainable development, equal opportunities and non-discrimination equality between men and women. The FRs will have to specify with concrete details any element of the SPA, which would have the potential risk of significant harm (within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council) to the EU environmental objectives, as well as the planned measures of the SP to eliminate such negative impacts. At the same time, the potential direct or indirect positive impacts of the planned project measures and outcomes to these objectives shall be concretely detailed, what exactly would improve, by which SP element and how and reflected by the SPA.

Sustainable development stands for meeting the needs of present generations without endangering the capacity of future generations to meet their own needs, ensuring balanced economic growth, social progress, protection, and improvement of the quality of the environment at the same time. This shall relate not only to the (future) impact of the project outputs and results but also to such project implementation activities and solutions (e.g. “green” approach in project event organisation, travels, public procurements, energy-efficient solutions, etc.) which can reduce the ecological and carbon footprint of the project implementation. The concrete contributions of the selected projects to sustainable development and (potential) impacts on the environment will be regularly monitored by the Programme through the project progress reports and by other means, if necessary. The required minimum is a neutral contribution.

Equal opportunities and non-discrimination stand for inclusion of all. Discrimination can be based on racial or ethnic origin, religion or belief, disability, age, or sexual orientation. This shall relate to the importance of sharing knowledge, good practices, and the principle of equal access to information. The required minimum is a neutral contribution.

Gender equality aims of the equality between women and men is one of the fundamental values of the EU. This shall relate to the promotion of actions and measures where gender-mainstreaming aspects, such as gender equality or women’s empowerment, are part of SP activities. The required minimum is a neutral contribution.

3.4. Durability of operations

Durability of project outputs and results is crucial for ensuring territorial impact and long-term benefits which continue after the project end, in order to reach the project’s overall objectives. Therefore, projects have to ensure that outputs obtained and results achieved are durable and suitable to be continued after project closure. This may include follow-up activities, handover to the policy level, ownership, financing through other initiatives or funds, leverage of investments, etc. In order to achieve durability, projects need to adopt from the beginning a long-term, strategic perspective that leads to desired results for the target groups over an extended time frame. In order to achieve such long-term benefits, it is essential to consider the needs of key stakeholders as well as the institutional context already when designing the project. In particular, key stakeholders should be actively involved from the early stages of the project development. The ownership of the investment in the project is to be retained by the project partner.

A SP comprising investment in equipment shall repay the Programme co-financing if within three (3) years of the final payment to the FR, it is subject to any of the following:

- a) cessation or transfer of a productive activity outside the NUTS 2 Region / Programme area;
- b) a change in ownership of an item of equipment which gives a firm an undue advantage;
- c) a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

The SPFB is obliged to conduct a durability check at least once in the period of three (3) years after the final payment. FRs are obligated to provide to SPFB all requested and needed documentation and information.

3.5. Procurement rules

The FRs are obligated to follow the rules:

- For costs **between EUR 2,500.00 to EUR 20,000.00** (excluding VAT), FRs must submit 1 pro-forma (non-binding) offer.
- For costs **over EUR 20,000.00** (excluding VAT), FRs must document market research, i.e. submit 3 pro-forma (non-binding) offers.

Detailed information will be given in [the Procurement Guidelines](#).

3.6. Exclusion criteria

All potential FRs shall prove their professional and financial liability by not falling under any of the cases presented below.

In order to ensure the fulfilment of conditions for receiving the de minimis aid cannot be received in any case listed in the [COMMISSION REGULATION \(EU\) 2023/2831](#) of 13 December 2023 on the application of Articles 2 of the Treaty on the Functioning of the EU to de minimis.

The FRs containing the development of the following activities are not eligible:

- fishery and aquaculture,
- primary production, processing and marketing of agricultural products

FRs cannot receive funding if one or more of the following cases apply to them:

- The establishment and operation of a distribution network towards third countries or Member States;
- Their business is in a difficult situation (according to COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014);
- They are bankrupt, being wound up, liquidated or having their affairs administered by the courts;
- They have entered into an agreement with creditors;
- They have suspended business activities;
- They are subject to proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- They do not have valid registration to pursue their activities or they have been convicted of an offence concerning their professional conduct by a judgement which has the force of 'res iudicata', further they have been guilty of grave professional misconduct proven by any means which the SPFB can justify;
- They have not fulfilled their obligations relating to the payment of social security contributions or the payment of taxes in accordance with the national legal provisions;
- The applicant has not received or is not in the process of receiving co-financing from other sources for the same expenses, funds from the state or local budget (Statement on used grants).

3.7. Eligible activities

Eligible activities of SP business cooperation should belong to the following NACE codes² representing the target economic sectors of EmBRACE:

C – Manufacturing (10 - 33);

D – Electricity, gas, steam and air conditioning supply (35);

E – Water supply; sewerage; waste management and remediation activities (36 - 39);

F – Construction (41 - 43);

G – Wholesale and retail trade, repair of motor vehicles and motorcycles – only one of the FRs can be granted to implement these types of activities within a single SP (45 - 47);

H – Transportation and storage (49 - 53);

I – Accommodation and food service activities – excluding extension and quality improvement of accommodation capacities, focusing on quality service development to be stipulated on call level (55 - 56);

J – Information and communication (58 - 63);

M – Professional, scientific and technical activities (69 - 75);

N – Administrative and support service activities, only the following activities:

- Employment activities (78),
- Travel agency, tour operator reservation service and related activities (79),

S – Security and investigation activities (80);

P – Education (85);

Q – Human health and social work activities (86 - 88);

R – Arts, entertainment and recreation, only the following activities:

- Creative, arts and entertainment activities (90),
- Libraries, archives, museums and other cultural activities (91),
- Sports activities and amusement and recreation activities (93).

All eligible activities of each FR should belong to any of the above-listed NACE codes. Activities outside these NACE codes are ineligible.

Independently eligible activities of cooperating SPs supported within the EmBRACE project:

- Development and adaptation of business models, products, services and processes, fostering development of local MSEs with a strong focus on introducing product or process innovation.
- Enhancing MSEs cross-border business cooperation.

² See: [NACE Rev. 2](#) Statistical classification of economic activities in the European Community, Eurostat, European Communities, 2008.

- Development of new technology, service or product.
- Purchase of new equipment for the sake of joint technology, service and product development.
- Purchase of new equipment for the sake of moving materials, packaging and storing in the phase of joint technology, service and product development (purchase of vehicles is prohibited).
- Activities for entering new markets of jointly developed technology, service and product:
 - Appearance at events, fairs, business meetings and international project development workshops organised outside the Programme area;
 - Organisation of business seminars, workshops and conferences;
 - International market surveys;
 - Development or upgrading of marketing tools and materials in foreign language (design, layout, elaboration);
 - Marketing actions targeting markets outside the Programme area.
- External expertise for the sake of developing joint technology, service and product.
- Supporting local MSEs to face challenges related to their size, limited resources (such as skills and finance) or industry and market conditions.
- Improving the capacity of micro and small entrepreneurs regarding marketing, branding, e-business, competitiveness including education and training in entrepreneurship skills.
- Developing and supporting existing business networks of SMEs in applying ICT (purchase and installation of new hardware and software equipment (except for general office use)), innovation and new technologies to develop and promote common products for local cross-border and international market.
- Implementing joint pilot actions to introduce product and new business solutions and/or process innovations.

The Programme decided to use different SCOs to ensure easy reporting process, swift money flow and validation of expenditures. Please find the possible SCOs options in the table below:

	SP Option 1 up to EUR 100.000	SP Option 2 Exceeding EUR 100.000
Cost category	Form of reimbursement	Form of reimbursement
Staff costs	Specific lump sums Total costs of SP do not exceed EUR 100.000.	20 % flat rate of direct costs (real costs)
Office and administrative costs		15 % flat rate of staff costs
Travel and accommodation costs		15% flat rate of staff costs
External expertise and services costs		Real costs
Equipment costs		Real costs
Costs of infrastructure and works		Real costs

External expertise and services costs, and/ or Equipment costs and/ or Costs of infrastructure and works have to be used in the SP budget. External expertise and services costs, and/ or Equipment costs and/

or Costs of infrastructure and works cost categories have to be used for the purpose of SP activity implementation!

3.8. Eligibility of costs of Final Recipients

Eligible costs must fulfil all the following criteria as listed below:

- a) they are incurred by the FR and paid solely by the FR, with the exception of costs calculated as lump sums and flat rates;
- b) they incurred during the eligibility period of the SP;
- c) they are indicated in the estimated overall budget of the SP;
- d) they are necessary for the implementation of the SP which is the subject of the grant;
- e) they are identifiable, verifiable and documented (e.g. contract, invoice, order form), in particular being recorded in the accounting records of the FR and determined according to the applicable accounting standards of the country where the FR is located and according to the usual cost accounting practices of the FR;
- f) they comply with the requirements of applicable tax and social security legislation;
- g) they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;
- h) they are incurred in accordance with the relevant EU legislation, Programme rules, and when applicable national legislation;
- i) they are not listed as an ineligible expenditure;
- j) they are not double funded (i.e. they are not financed from other sources under the EU Funds or other (national) Funds);
- k) one expenditure item (e.g., one cost) cannot be declared twice;
- l) in case when one expenditure/invoice/procurement contains more items, they can be reported under different cost categories/budget lines, depending on the type of item;
- m) amounts declared in Partner Report do not exceed amounts in the latest approved Application (in line with the provisions of the Contract/Addendum/accepted modifications).

3.8.1. Preparation costs

Preparation costs represent a special eligible expenditure that is automatically granted to the FRs who successfully sign contract with the SPFB for implementation of their SP up to an amount of total EUR 1,500 per FR as a lump sum cost related to the preparation of the SPAs.

Each FR may budget EUR 1,500.00 as a lump sum under cost Preparation Cost category.

The lump sum shall cover the following costs:

- Staff costs of the FR involved in developing the SP;
- Administration costs (e.g. office costs such as internet, electricity, paper, etc.);
- External services costs such as translation and consultation (e.g. external expert contracted for supporting the preparation of SP proposal);
- Travel costs for meetings and other events such as: internal preparatory meeting/s, workshops, etc.

The following eligibility rules apply to preparatory costs:

- The lump sum of EUR 1,500.00 per FR is acceptable;

- Preparatory costs need to be planned in budget of each FR;
- FRs are responsible to use the granted lump sum only for the preparatory activities of the respective SP;
- Reallocations of preparatory costs are not acceptable;
- In the occurrence that the SP is not implemented following the signature of the Contract, FRs will have to recover in full the amount granted as preparatory costs.

Certain conditions must be fulfilled in order for the SPFB to pay a lump sum for preparatory costs:

- The SP is selected for funding by the Selection Committee (hereinafter SC);
- The Contract is signed with the SPFB.

During submission of the first progress report FRs need to indicate the costs in the budget, upon approval of the progress report alongside other costs the lump sum for preparatory cost will be transferred to the bank account of each FR.

Any difference between the granted lump sums and the costs occurred in reality for these activities is neither checked nor further monitored by the Cooperation Programme implementing structure.

3.8.2. Staff costs

The costs of staff are expenditures incurred connected to the personnel involved in the implementation of the SP on behalf of the FRs. The staff involved in SP implementation with a valid contract can work full-time or part-time and can do administrative and/or professional tasks. Staff costs shall be clearly connected to the SP and its activities. **SP Applicants are not allowed to amount staff costs less or more than 20% flat rate of direct costs (real cost).**

Staff costs for FRs are eligible for both existing and newly hired employees, employed for the purposes of the implementation of the SP. Each FR shall appoint one contact person, SP manager for communication with SPFB. When nominating SP manager (internal or external), recommendations to be consider are: experience in EU project management and fluent in English.

The following documents must be available for verification purposes as an audit trail (at the beginning of the implementation and if a change within personnel occurs):

List of personnel who will work on the SP (free form) should be enclosed when applying. At least one employee must be involved in the implementation of an operation (a free form list or a declaration issued by the beneficiary's legal representative or delegated person should be delivered for audit trail purposes).

The FR is responsible to ensure that under this cost category only staff costs are incurred.

3.8.3. Office and administrative costs

As regard to the eligibility of office and administrative expenditure, it is automatically calculated as a **flat rate of 15% of the staff costs.**

Office and administrative expenditure shall be limited to the following elements:

- Office rent;
- Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- Utilities (e.g. electricity, heating, water);
- Office supplies;
- General accounting provided inside the FR organization;

- Archives;
- Maintenance, cleaning and repairs;
- Security;
- IT systems (operating/administrative IT services of general nature, linked to the implementation of the SP);
- Communication (e.g. telephone, fax, internet, postal services, business cards);
- Bank charges for transnational financial transactions.

Cost items accounted under the office and administration cost category cannot be reimbursed under any other cost category.

Any difference between the granted flat rate-based sums and the costs occurred in reality for these activities is neither checked nor further monitored by the Programme implementing structure. FRs do not need to document that the office and administration expenditure has been incurred and paid or that the flat rate corresponds to the reality.

3.8.4. Travel and accommodation costs

Travel and accommodation costs of the staff – being employed by the FRs – involved in the implementation of the SP are eligible costs if they are incurred for performing tasks directly related to the SP activities.

Travel and accommodation costs are automatically calculated as a **flat rate of 15% of the staff costs**.

Travel costs may include the following means of transportation:

- Travel costs: as a general rule for travelling, the most economical way of transportation has to be used:
 - Travelling by car – it is allowed to use a private or company car only if it is the most economical way of transportation and it is proven to be a time-saving solution;
 - Travelling by rail / bus / ship / plane – as a general rule the most economical and efficient way of transport should be used. No first or business class tickets are eligible;
 - Local travel fares (bus, underground, taxi etc.);
 - Insurance fees – to cover the costs of insurance for the whole trip.
- Accommodation and meal costs can be reimbursed if they are in a reasonable price range and if per diem does not cover them. Middle price range accommodation has to be used; 3-stars hotels are generally accepted within this category. The use of higher category accommodation has to be justified. Duration of the mission must be clearly in line with its purpose. Costs of longer duration are eligible only if it results savings made in the costs of transportation.
- Visa costs.
- Per diems (daily allowances) of the SP staff shall be defined by the employer. They must not exceed the rate set by the European Commission on the following [link](#).

Per diems can be paid to SP staff that travel abroad for the purpose of the SP. Per diems generally cover meal, accommodation and local travel expenses. In case of receiving per diem other subsistence costs are not eligible.

When preparing reports about SP implementation progress, FRs shall prepare description about conducted travel with supporting documents, such as signature lists and photos.

3.8.5. External expertise and services

Expenditure on external expertise and service costs are eligible costs on real cost basis including the following services and expertise provided by a public or private law body or a natural person other than the FRs' staff:

- Studies or surveys: evaluations, strategies, design plans, handbooks necessary for the cooperation of the FRs;
- Events, conferences, seminars, trainings, SP meetings – the budget line shall include all costs emerging related to a SP event, including fees of lecturers / performers / trainers / experts, as well as costs like interpretation, translation of documents, rental costs, technical background, catering, travel costs of members of the target group etc. Activities closely related to the organization of events can be externalized separately based on the activity type as well (e.g. transportation, translation, rental activities etc.); travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- Costs of supervisor of engineering, architect's site supervision: in case of SP with works components;
- Cost related to publicity, promotion and communication: IT systems and website development, modifications and updates; promotion, communication, publicity or information, participation in promotional events (e.g. registration fees);
- Other: intellectual property rights; provision of guarantees by a bank or other financial institution where required by EU- or national law; other specific expertise and services needed for the SP;
- Services related to SP administration and management: collection of documents of expenditure, maintenance of files, public procurement activities on level of the FRs.

The 'external expertise and services' category covers costs paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external experts and service providers, sub-contracted to carry out certain tasks or activities directly linked to the implementation of the SP.

In order to verify the costs during the SP application, the FRs will be required to submit with the SPA:

- For costs **between EUR 2,500.00 to EUR 20,000.00** (excluding VAT), FRs must submit 1 pro-forma (non-binding) offer.
- For costs **over EUR 20,000.00** (excluding VAT), FRs must document market research, i.e. submit 3 pro-forma (non-binding) offers.

3.8.6. Equipment

Purchase of new equipment is eligible only if the items are essential and directly related to the implementation of the SP, and if they are listed in the approved SP budget.

All equipment shall be other than those covered by the expenditures of cost categories 'Office and administration' and 'Infrastructure and works' and are necessary and shall exclusively be used for SP implementation, having a clear contribution to the achievement of the SP's objectives.

Equipment shall be distinguished according to its purpose:

- Content-related / thematic equipment, directly linked to (or forming part of) the SP outputs or deliverables which will be used by FRs and target groups in line with the SP objectives. Thematic equipment may be also linked to the 'Investment and works' budget line. Purchase of the following types of equipment is eligible costs on real cost basis:
 - IT hardware and software (clear SP relevance is necessary);

- Furniture and fittings;
- Laboratory equipment;
- Machines and instruments;
- Tools or devices;
- Other specific equipment needed for the SP.
- Equipment for general (office) use, such as computers, office furniture etc. which is used for the daily work of the SP staff and which is not already included under 'Office and administration'.

Depreciation costs are not eligible, equipment for SP sustainability can be charged in its full amount to the SP. Eligibility of costs for equipment is subject to the full respect of procurement rules, according to the thresholds defined in this document (see 3.5. Procurement rules). For all equipment purchased, the relevant visibility and publicity requirements of the Programme must be respected.

- For costs **between EUR 2,500.00 to EUR 20,000.00** (excluding VAT), FRs must submit 1 pro-forma (non-binding) offer.
- For costs **over EUR 20,000.00** (excluding VAT), FRs must document market research, i.e. submit 3 pro-forma (non-binding) offers.

3.8.7. Infrastructure and works

Infrastructure and works are eligible costs on real cost basis comprising the following activities:

- Reconstruction, renovation of buildings, works and infrastructure – these costs comprise expenditure related to works needed for the alteration, reconstruction, expansion of a used building.
- These costs are only considered eligible if they are directly linked to the SP and are proven to be essential for its effective implementation.
- Small scale infrastructure – up to 10% of total budget per FR.

Important to point out that developed infrastructure cannot be sold and must be kept free of all liens and claims for 3 years.

3.9. Value Added Tax (VAT)

Value added tax (VAT) is eligible expenditure and must be planned in SP budget.

In line with Article 64 of [CPR](#), VAT shall not be supported by the Programme, except:

- a) For operations the total cost of which is below EUR 5,000,000.00 (including VAT);
- b) For operations the total cost of which is at least EUR 5,000,000.00 (including VAT) and VAT is non-recoverable under national legislation;
- c) For SPFs and investments made by FRs in the context of SPFs.

In those cases, VAT is eligible, if:

- a) It is established that it is borne by the FR;
- b) It is clearly identified in the invoice.

3.10. Exchange rate

All expenditure reported in the Project Reports must be denominated in Euro. This means that the expenditure, which was incurred and paid in currency other than Euro, shall be converted into Euro using the daily accounting exchange rate of the Commission in the day during which that expenditure was

submitted for reimbursement to the FR. Thus, the same exchange rate will be applied per reporting period to all expenditure regardless of their payment or invoice dates.

The application of correct exchange rate shall be verified by the SPFB. The SPFB will not make any deduction, retention or further specific charge from the amounts that must be transferred to the FR's bank accounts.

Costs related to fluctuation of foreign exchange rate are not eligible.

4. Application procedure

SP Applicants will use [the EmBRACE platform](#) to create a SPA and submit it, and later report on the progress of their SP implementation (both content-wise and financially). The application and mandatory annexes (statements/declarations) have to be written in English, while the accompanying documentation (other documentation) can be either in English or in national languages and scripts, but HAMAG-BICRO reserves the right to request an authorized translation into English from applicants if something will not be understandable should the documentation be sent in national language or script.

The following documents will be requested when applying:

1. **Small Project Application form** (completely filled in English in MS Word, signed and scanned in pdf format) – filled in jointly. In case there is a discrepancy between the SPA for in Word and pdf, the pdf version shall prevail.
2. **Small project budget** (filled in English in MS Excel) – filled in jointly
3. **Joint Statement** (filled in, signed and scanned in pdf format) – for each FR
4. **De minimis declaration** (filled in, signed and scanned in pdf format) – for each FR
5. **Tax Administration Certificate** (not older than 30 days) – for each FR
6. **Company register extract** ([Croatia](#); [Bosnia and Herzegovina](#); [Montenegro](#)) – for each FR
7. **Pro-forma offers** for external costs and equipment costs (not older than 30 days) – for each FR
8. In case of small-scale infrastructure costs: FRs will be required to submit with the **SPA the proof of legal interest (proof of ownership or lease contract)** and submit a **technical description** of the planned works according to the national laws and acts for each country if SP includes small scale infrastructure costs (not older than 30 days) – for each FR
9. **Employment contract** - proof of employment of 1 employee) – for each FR
10. **Annual financial report** for the previous year – for each FR

Applications submitted after the end of the call will not enter the evaluation process and will be automatically rejected. Each FR can apply only for one SP per Call.

4.1. Activities and outputs

Activities must be defined to outline the implementation steps that the SP will undertake in a work package to achieve the project specific objective. They must be jointly designed and implemented by SP partners.

Outputs are outcomes of project activities. Only one type of output is expected for SP, which should contribute to achieving the expected result. It may take the form of different types of joint strategies, action plans, pilot actions leading to solutions, and/or joint training schemes developed by the project. Project outputs are the key tangible products of project activities.

Project outputs must be of high quality, relevant and properly defined. They must be of transnational value and:

- be the result of intense cross-border cooperation of several FRs;
- be of practical use for the defined project target group in FRs regions;
- be usable as a potential model solution that can be transferable to other locations within existing partner territories or in the longer term to other regions or countries.

Within the project work package, having the ability to include as many activities and deliverables as needed provides projects with the space to express their work plan in detail. However, having too many activities and deliverables can also lead to confusion rather than clarity. Applicants are asked to be as focused and efficient as possible when designing their work plans.

4.2. Project objective

A (overall) project objective is a qualitative description of the desired change that the partnership will implement on the Programme area during the project.

- The objective outlines the overall goal of the project, specifically the change it wants to bring about in the Programme area.
- It defines the benefits or improvements that the partnership expects to achieve on the Programme territory (or parts of it).

A well-formulated project objective:

- Is clear and concise;
- Provides a concrete description of the project's outcome;
- Is not a description of activities;
- Is developed in a participatory process by the FRs;
- Addresses the project's target groups and stakeholders and is accepted by them;
- Is realistic and achievable by the end of the SP.

The objective should be clear and leave no room for misinterpretation. Technical jargon and acronyms should be avoided. It should be easy to understand by external readers and non-experts in the themes tackled by the project. The project objective should fit within and be relevant to the Specific Objective under which the project has submitted.

4.3. Project result

A project result is the societal benefit of the project outputs. It measures the ultimate change that the partnership aims to accomplish in Programme area by the end of the project and relates to the challenges tackled. The project result is tied to the project objective and quantifies the degree to which the objective has been achieved during the project lifetime.

The result provides an answer to:

- Is anyone in better off?
- Has anything been improved?

The desired result must be measurable, in line with the Programme's result indicator definitions. It must have a target value to be reached by the end of the project.

The project result is the impact of the development or upscaling of an output.

4.4. Indicators

Required indicators include:

Programme Result Indicator (values are defined on the Programme level)

RCR 104 - Solutions taken up or up-scaled by organizations, target value: 4

The indicator counts the number of solutions, other than legal or administrative solutions, that were jointly developed by supported projects and derived from pilot actions and are taken up or up-scaled during the implementation of the project or within one year after project completion.

Uptake is defined as the action of taking up or making use of solution that is available and develop within the project, while up-scale is defined as increasing the size or improving the quality of the solution developed within the project.

The organisation adopting the solutions developed by the project may or may not be a participant in the project. The uptake/up-scaling should be documented by the adopting organisations in, for instance, strategies, action plans etc.

RCR 03 – Small and medium-sized enterprises (SMEs) introducing product or process innovation, target value: 40

Number of SMEs introducing product or process innovation due to the support provided. Product innovation is the market introduction of a new or significantly improved good or service with respect to its capabilities, user-friendliness, components or subsystems. Process innovation is the implementation of a new or significantly improved production process, distribution method, or supporting activity.

Product or process innovations must be new to the enterprise supported, but they do not need to be new to the market. The innovations could have been originally developed by the supported enterprises or by other enterprises or organisations

Programme Output Indicator (values are defined on the Programme level)

RCO 01 - Enterprises supported (of which: micro and small), target value: 120

The indicator counts all enterprises that receive monetary support from ERDF/IPA III. The enterprise is the smallest combination of legal units that is an organisational unit producing goods and services, which benefits from a certain degree of autonomy in decision making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit. Legal units include legal persons whose existence is recognised by law independently of the individuals or institutions which may own them or are members of them, such as general partnerships, private limited partnerships, limited liability companies, incorporated companies etc. Legal units as well include natural persons who are engaged in economic activity in their own rights, such as the owner and operator of a shop or a garage, a lawyer or a self-employed handicrafts-person. For the purpose of this indicator, enterprises are profit-oriented organisations that produce goods and services to satisfy market needs. **This Programme Output Indicator is obligatory.**

RCO 02 - Enterprises supported by grants, target value: 120

A number of enterprises receiving monetary support in the form of grants. **This Programme Output Indicator is obligatory**

RCO 84 - Pilot actions developed jointly and implemented in projects, target value: 12

Pilot actions test novel or adapted solutions in Programme area. They focus on jointly demonstrating and implementing novel approaches in regions for the benefit of key stakeholders and/or adapting existing approaches in different regions for further uptake. The indicator counts the pilot actions developed jointly and implemented by supported projects.

A pilot action should:

- Have an experimental or demonstrative character. The scope of a jointly developed pilot action could be to test, evaluate and/or demonstrate novel and/or adapted procedures, processes, instruments, tools, services, and/or practices. Have a clearly defined scope and aims that are achievable during a project lifetime (e.g., location, duration, size, etc.);
- Be jointly designed, implemented, evaluated, communicated on and taken-up by project partners.
- Have a clear territorial element with partners cooperating transnationally;
- Should not only be developed, but also implemented by the end of the project, with the implementation of the pilot action being finalised by the end of the project.

RCO 116 - Jointly developed solutions, target value: 8

The indicator counts the number of jointly developed solutions from joint pilot actions implemented by supported projects. In order to be counted in the indicator, an identified solution should include indications of the actions needed for it to be taken up or to be upscaled. A jointly developed solution implies the involvement of organizations from at least two participating countries in the drafting and design process of the solution. Solutions can include innovative processes, services, instruments, or tools. They can also be of different nature (e.g., technological, organisational, economic, etc.). Solutions considered for this indicator should not have as their main focus administrative or legal frameworks. The possible uptake of the solution should be reflected in the result indicator

5. Evaluation and selection

The SPFB shall appoint persons (evaluators) in a separate internal sector (Sector for Evaluation and Contracting Projects) to perform the admin and eligibility check of the FRs that have submitted applications. Evaluators will check if the SPA form has been properly completed and if all the required documentation has been submitted.

- If the SPA is not submitted by the deadline, the application will automatically be rejected.
- If one of the FRs has submitted more than one SPA, only the first one will be evaluated.

Evaluators will conduct the administrative check of submitted material and they will determine whether the application is complete, for each SPA, two administrative check outputs are possible:

- a) Documentation is complete and can continue the evaluation process if evaluator confirms the correct content of the material
- b) Documentation is invalid and the SP is rejected – if submitted documentation is not valid and/or adequately filled out within the given deadline.

Evaluators will confirm the verification of the submitted material and they will determine whether the application is eligible, according to the Checklist for administrative criteria for each SPA, two eligibility check outputs are possible:

- a) All FRs are eligible and can continue to the selection process if evaluator confirms the eligibility.
- b) One or more FRs are ineligible, and the SP is rejected - if one or more eligibility criteria for one or more FRs are not fulfilled.

SPAs are ineligible for approval if the total score of SPs is **less than 60 points**.

5.1 Selection Committee

The project's main decision-making body is the Selection Committee (SC). The SC is responsible to make selection of the granted SP proposals. The SC is composed of 6 members, representatives from all three participating countries. Decisions of the SC are taken by voting where each of the six voting members has the same voting weight. For a decision to be valid, it has to receive a full voting cast. From Programme level bodies, the MA and the JS are invited as non-voting members, however the MA shall have the right of veto if a decision made by the SC would threaten the overall due performance of the cross-border cooperation Programme.

5.2 Resolution of Complaints

Each FR has the right to file a complaint in case they have received an administrative rejection of their submitted SPA. Due to this, the SC funding decision is suspended during the selection process. Rejection means that the SPA or part of the SPA did not comply with the selection criteria and/or with the procedures laid down in the Evaluation Manual.

The SPAs that do not satisfy the admissibility and eligibility criteria will be notified by official letter signed by the SPF. The FR may issue a formal complaint after the receipt of the notification on SC decision on fulfilment of admissibility criteria.

Complaints have to be submitted to the SPF within 5 calendar days after the notification on the SC decision regarding the relevant Call via e mail to embrace@hamagbicro.hr. In the complaint letter, the FR should clearly specify what failures or mistakes have happened during the administrative assessment of the SPA and support its claim with clear references to the relevant documents (Guidelines for Applicants, Evaluation Manual or other Call-specific documents) and SPA in question.

The complaint has to comply with the following minimum requirements:

- the name and address of the FR are indicated,
- the reference number of the SPA in question is stated,
- reasons for the complaint are clearly described,
- the complaint is signed by the legal representative of the FR.

If a complaint does not comply with the above stated requirements or includes an incomplete description of a case that does not allow SPF to perform a thorough assessment of a complaint, the SPF may request further information from the FR.

Complaint must be submitted in writing in English with a clear indication of the following subject:
Complaint on the Selection Committee decision, have to be submitted by e-mail to the following address:
embrace@hamagbicro.hr .

5.3 Fulfilment of conditions and contracting

Once a SP Proposal is selected for funding, it may have to fulfil conditions for approval, set forth by the SPFB, before a contract is offered. In such cases, this requires revisions of the SPA form, submitted by the FR, within a given deadline. This contracting phase ends upon confirmation by the SPFB that all conditions for approval were fulfilled by the project.

It is important to note that costs incurred by the partnership in the contracting phase shall be covered by the lump sum for preparation costs. If foreseen in the SPA form, the lump sum is paid to projects that successfully sign the contract with the SPFB. Consequentially, such costs shall not be claimed under project implementation.

When all conditions for approval are fulfilled, a contract between the SPFB and the FR is concluded. The contract constitutes the legal framework for the implementation of the project. The contract must be signed (in written or with a qualified electronic signature) by the SPFB and all FRs.

The SPFB has two months for the entire precontracting procedure to set. Upon signature the SPFB shall send to the MA/JS copies of the contracts.

5.4 Implementation and monitoring

For SPs that do not exceed EUR 100.000, monitoring will be conducted after each of 3 milestones in order to check the implementation of the project. The milestones will be defined by the FR and SPFB at the precontracting meetings called Fulfilment of Conditions. Only a selected number of projects per each call will be subject to on-the-spot checks (5-10 percentage of total contracted projects).

On-the-spot verifications are performed by the SPFB representatives at the premises of the FR as well as in any other place where the project is being implemented. On-the-spot verifications should check the existence of the project, especially with regard to defined milestone. Furthermore, on-the-spot verifications should check the existence and effective functioning of an accounting system on the level of the controlled FR.

For SPs that exceed EUR 100.000, monitoring will be conducted after in order to check the implementation of the project after any project period has ended. The project reporting periods will be defined by the FR and SPFB at the precontracting meetings called Fulfilment of Conditions. Only a selected number of projects per each call will be subject to on-the-spot checks (5-10 percentage of total contracted projects).

As a general rule, on-the-spot verifications have to be performed by SPFB on all FRs included in a SP. If a FR is selected for an on-the-spot check, an obligatory on-the-spot check is required. In case that the on-the-spot check is not done within the given deadline, the costs of the relevant project report or milestone can be excluded from reimbursement. Once the on-the-spot check is performed, the costs can be included in the finance report which is due after the performance of the check.

5.5 Modifications of the operations

During the operation implementation period, some modifications may be necessary in relation to the specific details of the operation defined in the approved SPA. In all such cases, the FR has to inform the SPFB Project Manager of the planned modification as soon as possible.

The operation can be modified only during its implementation period and the modification should not affect the basic purpose of the operation, the grant award decision or be contrary to the equal treatment of FRs. Depending on the impact of the changes on the project, there are minor and major project changes.

Minor modifications are adjustments of the project, which do not have a significant impact on the project objectives and / or its implementation and require SPFB approval. The request for minor project modification should be submitted to the SPFB.

Major modifications are substantial deviations from the approved SPA. They are considered exceptional cases, which need the previous decision of the SPFB, based on thorough justification.

Modifications will be accepted only in duly justified cases. It is important to note that project modifications should not in any way put into question the basic purpose of a project and the SC decision on the selection of the project. A detailed explanation of the procedure and template for modifications will be given in the Reporting Manual.

FRs can only submit one modification in writing for the duration of the SP.

5.6 Communication requirements

Each FR is responsible to ensure that all information material distributed by the operation are properly labelled and contain all the necessary information about the SP co-financed under the Programme according to the rules. Therefore, each FR must devote adequate time and resources to SP's communication in all phases of the implementation.

The FR are required to:

- ensure that those taking part in the SP have been informed of the funding from the present Programme,
- provide clear notice to the effect that the SP being implemented has been selected under the present Programme,
- ensure a statement included in any document, attendance or other certificate about the effect that the Programme was financed by the EU,
- when communicating on all the matters related to the SP, the FR should use their normal stationery but should always use the logo of the Project, as well as the Interreg EU logo.

The FRs are obliged to:

- use both the Project logo and the Interreg logo with the ERDF reference (as described in the visibility and communication guidelines for the Final Recipient's under EmBRACE project) and in the English language when using any of the communication tools and whenever communication and promoting project results as well as the results of the Programme;
- place at least one poster with information about the project (minimum size A3), including the financial support from the EU, at a location readily visible to the public such as the entrance area of a building.

The FR shall be authorised to publish, in whatever form and on or by whatever medium, including the Internet, the following information:

- (a) EmBRACE logo;
- (b) Name of the SPF Beneficiary;
- (c) Name of the Small Project and name of Final Recipients working on the Small Project;

- (d) Description of the Small Project, including its aims, results, expected achievements, outputs, activities, etc;
- (e) Total Small Project budget (in EUR);
- (f) The amount of EU co-financing (in EUR);
- (g) Duration of the Small Project (dd.mm.yyyy. – dd.mm.yyyy.);
- (h) the location of the Small Project and the countries concerned;
- (i) A reference to the EmBRACE Small Project Fund website (for example, as a hyperlink on the EmBRACE logo);
- (j) A reference to relevant Funds as described in visibility guidelines for the FR;
- (k) Disclaimer, as described in visibility guidelines for the FR.

6. Reporting

Project reporting is an essential project management task. Project reporting allows the necessary monitoring of the project with regard to its implementation in line with the SPA and the Contract. Both project reporting and project monitoring are the basis for the reimbursement of funds to the FRs. Reporting and monitoring take place at partner and project level.

All projects will report on the implementation of project activities. A joint Project Report has to be prepared and submitted on the [EmBRACE platform](#). Therefore, FRs are obliged to report on their activities and expenditures (incurred and paid) for a given reporting period and or milestone, according to the reporting/milestone schedule defined in the SPA. Each FR reports on the progress made in the relevant reporting period/milestone compared to what was planned in the SPA.

SPs using draft budget / Lump sum will be paid after each of 3 milestones and proven results. SPs using SCO1 Flat rate will be paid after approved report (on 4-month basis) based on proven results and costs.

The FR is responsible for submission of the SP Report to the SPFB **within 10 days from the end** of the relevant reporting period, with the exception of the **final report within 30 days**, accompanied by relevant supporting documents (e.g. invoices, proof of payments, contracts, etc.).

Reporting process depends on the type of SPs. The SP reports will be submitted online through the [EmBRACE platform](#).

SPs that do not exceed EUR 100.000, i.e. using Lump sum will be paid after each of the 3 milestones and proven results. Milestones for each SP will be defined during the precontracting process. As in regular projects a report will have to be submitted referring to the accomplishment of the milestone and ask for completion if needed. After approval of the report, SPFB will make payment towards FRs.

A milestone is a specific point within a project's life cycle used to measure the progress toward the ultimate goal. Milestones are used as signal posts for a project's start or end date, external reviews or input, budget checks, submission of a major deliverable, etc. A milestone is a reference point that marks a significant event or a branching decision point within a project. Each project milestone must have defined an end date. A detailed description for each milestone should be written. This helps allocate time and resources effectively, ensuring the project schedule stays on track. **If purchase of significant equipment is defined as a milestone it should be set as a first milestone in the beginning of the SP.**

The SPs that exceed EUR 100.000 will submit progress reports on a 4-month basis. SPFB will review the submitted reports about SP implementation progress, ask for completion if needed and accept / approve the submitted report. After approval of the report, SPFB will make payment towards FRs.

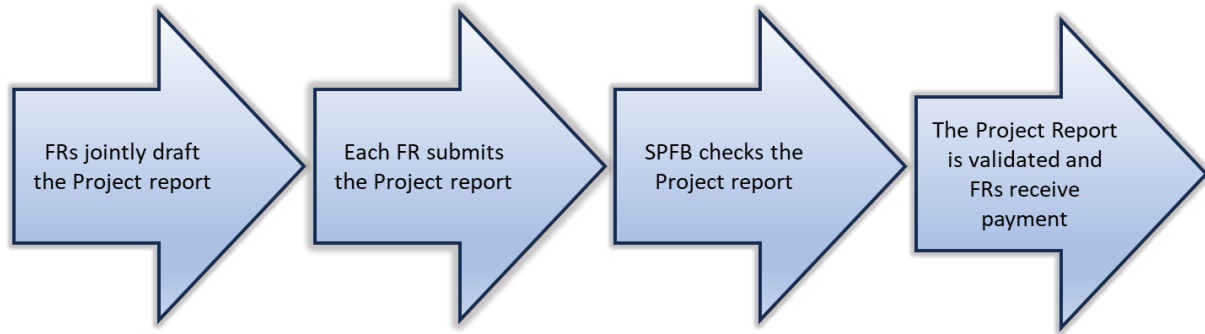


Figure 3: Process of reporting

Payment confirmations about each payment toward FRs will be issued by SPFB. Following the approval of the Small Project Report, the FR shall receive a total amount of eligible costs due in full **within 60 days** from the date of submission of the Small Project Report/payment claim to the SPFB. The co-financing rate per directly financed partner is up to 85% EU contribution. **Payment will be in euros.** The remaining budget (min. 15%) is to be covered by its resources. Own resources can be composed of any kind of financial resources (e.g. money in the bank account, a bank loan) except grants requested from the EU or National co-financing resources.

6.1 Audit trail

The following documents must be available for control purposes as an audit trail:

- a) evidence of the implemented procurement procedure (e.g. announcement, selection, award);
- b) contract or written agreement laying down the infrastructure/works to be provided with a clear reference to the operation and the SP. For contracts including also a daily/hourly fee, such fee together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented;
- c) invoice or interim payment certificate providing all relevant information in line with the applicable accountancy rules as well as references to the operation and the Programme and a detailed description of the infrastructures/works carried out in line with the contents of the contract. For contracts including also a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price;
- d) proof of payment (e.g. a receipt, bank account statement) and accounting record (e.g. extract from a reliable accounting system of the beneficiary);
- e) proof of respect of Programme visibility rules.

7. Financial guarantees

The FRs will have to **provide a financial guarantee** when contracting their SPs on the full amount of the contract for each FR. If a SP will be selected FRs will be obliged to **submit a promissory note** (personal and on company) and by signing the Contract Addendum give unconditional and irrevocable consent to the SPFB to issue a prompt collection order in case of failure of the SP part of the respective FR.

In case of a failure of the SP part of the respective FR during the time of project implementation due to e.g. becoming bankrupt or being wound up, having affairs administrated by the court, have been entering into an agreement with creditors, having suspended business activities, becoming the subject of

proceedings concerning those matters, or being in any analogous situation arising from a similar procedure provided for in national legislation or regulations, the FR cannot receive funding and will not be supported further.

In such a case the remaining SP part of the remaining FR(s) should be implemented and all activities should be funded as eligible – or if a partner change is possible, the appropriate modifications should be implemented by approval of the SPFB.

8. Annexes to GfA

1. Subsidy Contract
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