

# EmBRACE 1<sup>st</sup> Call for MSEs

## QUESTIONS & ANSWERS

The aim of this document is to provide general guidance on the implementation of the EmBRACE project, and should be read in combination with:

### - [Guidelines for MSEs as Final Recipients](#)

**1.1 Question:** Are crafts eligible for application?

**1.1. Answer:** Crafts are acceptable if they are eligible according to the given eligibility criteria in the Guidelines for MSEs as Final Recipients with regards to professional and financial background.

**1.2. Question:** I am asking for information regarding the published tender "Small Project Fund (SPF) - Enhancing MSEs Sustainable Growth and Competitiveness (EmBRACE)". Namely, according to the available information, if I am not mistaken, it is foreseen that legal entities with up to 49 employees (small companies) can apply for the project. Please let me know if this is a general condition for participation, or if all partners in the project must meet the stated condition, or is it enough that at least one of them is in the category of a small company?

**1.2. Answer:** Acceptable users and this apply to all partners/users within the Small Project are:

The end users (Final Recipients) are micro and small entrepreneurs.

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

According to Regulation 651/2014/EU, Annex 1, all micro and small entrepreneurs can be beneficiaries of the EmBRACE project.

Company classification:

- Micro enterprise (<= 10 employees and annual turnover ≤ 2 million EUR, or balance sheet ≤ 2 million EUR);
- Small company (10-49 employees and annual turnover > 2 million EUR ≤ 10 million EUR or balance sheet > 2 million EUR - ≤ 10 million EUR).

End users cooperating within a Small Project must be autonomous entrepreneurs, as provided for in Article 3 of Annex 1 of Commission Regulation 651/2014/EU.

Partners or affiliated companies cannot be approved users within the same Small Project.

**1.3. Question:** Regarding the invitation itself, is the following situation acceptable for project application:

A company from Bosnia and Herzegovina plans to introduce an innovation in the production process, which will lead to an effective increase in production and market the product to a company from the Republic of Croatia that performs service works and would use the product in the realization of its projects?

**1.3. Answer:** On your inquiry. There are three acceptable forms of cooperation:

**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.

You can find more information on the [HAMAG-BICRO website](#) and [EmBRACE project platform](#).

**1.4. Question:** Can you tell us if there is an advance financing in this call, as well as in other Interreg calls, in case the project is approved for financing, and if so, in what percentage?

We assume that this call is based on the principle of pre-financing, like the others?

Can you also tell us if it is an eliminative form of micro and small business registration? Specifically, we have a question about whether a private practice for dental painting can be registered (provided, of course,

that it enters into a relevant partnership), which is registered as a healthcare institution under the law of Bosnia and Herzegovina, even though it has 2 employees.

**1.4. Answer:** In response to your inquiries, there are no advance financing or pre-financing of projects. Following on from your last question, if a private dentist's office for dental painting according to BiH law is a micro or a small entrepreneur, then it is an acceptable applicant.

**1.5. Question:** Can you tell us if the pharmacy founded and owned by regional county eligible for application?

**1.5. Answer:** It is not acceptable because the SME must have more than 50% of private ownership / capital / voting rights.

**1.6. Question:** What does the cooperation "at least 2 and at most 4 project partners-end users" mean, can they be companies that buy my products in HR and ME or?

Each small project proposal should include the cooperation of at least two (2) and at most four (4) project partners or end users from different countries included in the program area. At the same time, one of the partners must be based in the territory of the European Union. Cooperation of partners from all three (3) member countries of the program area will be scored with an additional 5 points.

**1.6. Answer:** On your inquiry. There are three acceptable forms of cooperation:

**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.

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.

**1.7. Question:** I am the owner of a small business in Bosnia and Herzegovina, considering that I have no partners from other countries, can I apply independently for the EmBRACE project?

**1.7. Answer:** You cannot compete independently but exclusively in partnership. You can find a potential partner on the [online platform of the EmBRACE project](#).

**1.8. Question:** I would like your answer to my doubt. If the company does not fully meet all the criteria to be classified as a micro or small company, is it acceptable as an applicant? If the company has 15 employees (which is considered a small company according to the call criteria), and the total income or capital is below 2 million euros (which is considered a micro company according to the criteria), can it apply to this call? Therefore, the framework company meets the defined criteria of the size of companies acceptable for this call (up to 49 employees and less than 10 million euros of income and capital), but it cannot be clearly classified into one of the 2 listed categories.

**1.8. Answer:** Final Recipients in the Small Project should be an autonomous micro and small enterprise, according to 651/2014/EU Regulation, Annex 1:

The company, i.e. the Final Recipient, must be within the following values (according to the criteria number of employees and financial indicators):

- micro enterprise ( $\leq 10$  employees and annual turnover  $\leq 2$  million EUR or total annual balance sheet  $\leq 2$  million EUR)
- small company (10-49 employees and annual turnover  $> \text{EUR } 2 \text{ million} \leq \text{EUR } 10 \text{ million}$  or total annual balance sheet  $> \text{EUR } 2 \text{ million} - \leq \text{EUR } 10 \text{ million}$ ).

When it comes to financial indicators, all partner and related companies are looked at.

In other words, if your company exceeds the upper limits of any criteria (number of employees, annual turnover, total annual balance), it is not eligible for financing through the EmBRACE project.

**1.9. Question:** I am writing you to get information about requirements for HAMAG-BICRO's First Public Call for the submission of project proposals aimed at the cooperation of micro and small enterprises in the

border area of Croatia, Bosnia and Herzegovina, and Montenegro within the Small Project Fund (SPF), as part of the EmBRACE project.

In document Guidelines for MSEs as Final Recipients (GfA), there is a part:

#### 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 ( $\leq 10$  employees and annual turnover  $\leq$  EUR 2 million, or balance sheet  $\leq$  EUR 2 million); Small enterprise (10-49 employees and annual turnover  $>$ EUR 2 million  $\leq$  EUR 10 million or balance sheet in  $>$  EUR 2 million -  $\leq$  EUR 10 million).

Our company is a micro enterprise according to annual turnover and balance sheet but on the other hand, a small enterprise according to the number of employees. So my question is, are we eligible for the call, considering these facts?

Also, I would appreciate it if you could give me more details on the areas this call covers and kind of projects which could be eligible in those terms.

**1.9. Answer:** Regarding this classification, potential Final Recipients have to be an autonomous enterprise and should not exceed upper limits (49 employees, annual turnover or balance sheet more than 10 million EUR). In other words, if your enterprise does not exceed those thresholds, your enterprise is eligible applicant for the 1<sup>st</sup> EmBRACE call.

It is very important to emphasise, that this classification includes all your partner or linked enterprises, if any.

Regarding the more details on the areas this call covers and kind of projects which could be eligible in those terms:

The minimum form of cooperation on the Small Project is the development of common technology, services or products created by connecting Final Recipients operating on different sides of the border, for the purpose of establishing a new supply network and/or joint presence in new markets.

There are three acceptable forms of cooperation:

**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.

Eligible activities for this call are listed in [Guidelines for MSEs as Final Recipients](#) (chapter 3.7 page 19).

1.10. **Question:** Can entrepreneurs from Zagreb apply?

1.10. **Answer:** Eligible applicants are from the area defined by the program. The eligible area is the Zagreb County, the City of Zagreb is not an eligible area. You can find detailed information on our [website](#) and [EmBRACE project platform](#).

1.11. **Question:** Please let us know if an agricultural craft from Bosnia and Herzegovina with one employee can apply to the currently open public call for EmBRACE (Enhancing MSEs sustainable gRowth And Competitiveness) under the Small Project Fund (SPF).

1.11. **Answer:** This call has several conditions that must be met in order for the project and applicants to be eligible. The applying project must be a partnership project, i.e. micro and small businesses must cooperate in the border area of Croatia - Bosnia and Herzegovina - Montenegro. This means that you must have at least 1 partner from Croatia (as defined in the [Guidelines for MSEs as Final Recipients](#)).

Crafts are eligible for financing if they meet the minimum requirements:

- must be autonomous entrepreneurs, as stipulated in Article 3 of Annex 1 of Commission Regulation 651/2014/EU. Partners or related companies cannot be approved users within the same Small Project.
- Each Final Recipient must be registered or have a branch of the company within the area defined by the Program Croatia - Bosnia and Herzegovina - Montenegro at least one year before the date of submission of the Small Project Proposal application

- Each Final Recipient should have at least one closed business year for the headquarters and/or branch in the program area;
- Each Final Recipient should have at least one employee in its last closed business year in the program area;
- Each Final Recipient should have a positively closed last business year of operations.

More information about the project and partner for cooperation you may find on [EmBRACE project platform](#).

1.12. **Question:** We need information regarding EmBRACE project financed within Interreg VI-A IPA Programme Croatia-Bosnia and Herzegovina-Montenegro 2021-2027. Somewhere in the text of the call / other documents it is stated that the program refers to micro and small enterprises, and somewhere to small and medium enterprises. This confuses us, because our company is a medium-sized company with 50-249 employees, and it belongs to that category. I don't know now if we have the right to apply for the project.

1.12. **Answer:** The eligible applicants for this call are exclusively micro and small enterprises under conditions set in the [Guidelines for MSEs as Final Recipients](#). Medium-sized enterprises are not eligible applicants for the EmBRACE call.

1.13. **Question:** Who are the eligible applicants for the call? Could International Entrepreneurship Institute at faculty, as a support institution for entrepreneurship, apply with a good education program for entrepreneurs? We have related partners in Bosnia and Herzegovina and Montenegro.

1.13. **Answer:** Eligible applicants within the EmBRACE project are micro and small entrepreneurs who cooperate with each other on a small project. The minimum number of cooperating partners is 2, and the maximum number of partners is 4. One of these partners must be from an EU member state (Croatia). All partners should be registered (head office or branch) within the [area defined by the program](#).

More detailed information can be found [here](#).

1.14. **Question:** We would like more information about the EmBRACE project.

1. How can a company from Montenegro participate? What conditions must this company fulfill? How do you evaluate submitted Small projects?
2. Which criteria have to fulfill the applying Small Projects, beside the innovation?

1.14. **Answer:** Please, find answers below:

1. A company from Montenegro can participate in a Small project in a way that it will implement with a partner from Croatia (because the conditions set in the [Guidelines for MSEs as Final](#)

Recipients is that one partner must be from an EU member state). All partners (Final Recipients) in the project must be micro and small entrepreneurs who have a center or a branch in the area defined by the program and must operate in the same area for at least one year before the date of submission of the application.

You can find more detailed information about it [here](#).

The way projects are evaluated and scored can be found in the [Evaluation manual and documentation for evaluation of Small Project Applications](#).

2. The conditions that the projects must meet are explained in detail and published in the [Guidelines for MSEs as Final Recipients](#).

Acceptable forms of cooperation in Small projects:

**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.

1.15. **Question:** In the guidelines, you specified the criteria for levels of business cooperation. The degree of "product development" that we are interested in describes the placing of a new product on the existing market.

In order to efficiently fulfill the requirements, please tell us what you mean by "new product":

Do you mean new compared to the previous activity of the business entity?

Do you mean new in the sense that the product has not yet gone through the registration process in the country of origin?



Do you mean new in the sense that there is no categorization of that product in the country of origin yet?

The general conditions specified in the guidelines state that the entity must prove its financial and administrative ability to ensure pre-financing of the project. How do we prove this specific ability?

Are the partners free to decide about percentage of their activities in the project or must the share of activities be equal?

**1.15. Answer:** "new product" in this call means a product that is new to the applicant company. There are no restrictions regarding the new product compared to the previous activity of the business entity or that the product has not yet gone through the registration process in the country of origin.

You prove your financial capacity with the descriptive parts of the Small project application form, and when applying, you have to also submit annual financial report for the previous year.

Distribution of activities between partners does not have to be equal. However, a more even distribution of activities among partners means that partners cooperate with each other, communicate and complement each other in Small project activities. There is a limitation in the Small project budget: the minimum amount of the budget of each Final Recipient in the Small Project is 20% of the total project budget.

Udio aktivnosti ne mora biti jednak. Ali, ravnomjernija raspodjela aktivnosti među partnerima govori da partneri međusobno surađuju, komuniciraju te se nadopunjuju u projektnim aktivnostima. Ograničenje postoji u proračunu projekta: minimalan iznos budžeta pojedinog korisnika ne može biti ispod 20% ukupnog proračuna projekta.

**1.16. Question:** What border areas of our region are included in the project? The company is from Podgorica. Please let me know if other parts of Montenegro are included.

**1.16. Answer:** Eligible Programme area you may find [here](#).

**1.17. Question:** The Annex IX Declaration on de minimis aid for Final Recipients must, for all Final Recipients individually, be printed and certified by the legally authorised representative of the respective Final Recipient organisation. How can we fill in this document, if Final Recipient didn't receive de minimis aid? What in such case – is it still necessary to submit that document? Filled with zeros or other way?

**1.17. Answer:** This Annex is obligatory document for all Final Recipients when submitting a Small Project application. If Final Recipient didn't receive de minimis aid, it can be filled with zeros, ---, or n/a. The filled statement needs to be certified by the legally authorised representative of the respective Final Recipient organisation.

1.18. **Question:** We would like to know can a manufacturing company with 70 employees and a turnover of €3.5 million and a balance sheet of €5.5 million apply for the EmBRACE project, given that the number of employees is limited to 49.

1.18. **Answer:** Number of employees is a mandatory criterion when determining the size of the company. Based on this criterion, the company is medium sized if the ceiling is exceeded over two consecutive accounting periods. Medium sized companies are not acceptable applicants for this call.

1.19. **Question:** In relation to the EmBRACE 1st Call for MSEs, please specify which Excel cell from Annual Financial Report (Godišnje financijsko izvješće – GFI-POD) for Croatian beneficiaries should we take into account for ensuring compliance with the criterion: „FR’s equity is positive for the last closed business year for seat and/ or branch in the Programme area “. Is it AOP 067 *Kapital i rezerve* within sheet *Bilanca*? Please provide answer to the same question referring to the entrepreneurs from BiH and Montenegro - please provide clear and precise reference to the relevant part of the Annual Financial Report for complying with the above indicated criterion.

1.19. **Answer:** Regarding your question about the criterion FR’s equity is positive for the last closed business year for seat and/ or branch in the Programme area., and specific Excel cell from Annual Financial Report:

- for Croatian beneficiaries it is AOP 067 *Kapital i rezerve* within sheet *Bilanca*
- for MSEs from BiH and Montenegro: *bilanca stanja*, pozicija A i redni broj 101.

1.20. **Question:** Must the equipment purchased for the project purposes be new? Must it be purchased in EU or can it be purchased in China for example?

1.20. **Answer:** The equipment must be new but doesn’t have to be purchased in EU.

1.21. **Question:** Can you please explain in detail the table of project indicators?

Output Indicator	Target 2029	Result Indicator	Target 2029
RCO 01 - Enterprises supported (of which: micro and small)	120	RCR 03 – Small and medium-sized enterprises (SMEs) introducing product or process innovation	40
RCO 02 - Enterprises supported by grants	120		
RCO 84 - Pilot actions developed jointly and implemented in projects	12	RCR 104 - Solutions taken up or up-scaled by organizations	4
RCO 116 - Jointly developed solutions	8		

We are a micro enterprise from Bosnia and Herzegovina. We offer an existing product and searching for one partner in Croatia and one partner in Montenegro for providing an access to the new market (in its own or third country). In total we are 3 partners (Final Recipients). How are the indicators counted in our

example? What do these target numbers refer to? (Target 2029) – to the total numbers within the call or program or?

Does the **indicator RCO 01 enterprises supported (of which: micro and small) 120** refers to our project which includes 3 FRs? What is the difference between RCO 01 and RCO 02?

Micro and small enterprises are mentioned in RCO 01. Here in RCR 03 small and medium enterprises are mentioned.

What is the difference between RCR 104 and RCO 116?

**1.21. Answer:** These indicators refer to HAMAG-BICRO as the Small Project Fund beneficiary (SPFB). SPFB will achieve them through micro and small businesses that will be the Final Recipients through the implementation of their Small Projects. These indicators must be achieved by the end of the implementation of the EmBRACE project in February 2029.

There is no difference between counting RCO 01 and RCO 02. All micro and small enterprises that will participate in the implementation of small projects will be supported with grants.

These are the official names of the RCO 01 and RCR 03 results taken from the Programme documents. But regarding EmBRACE project, only micro and small businesses that are eligible applicants, are taken into account.

Regarding the difference between RCR 104 and RCO 116, please see below their definitions. In the precontracting phase, SPFB will organize meetings with Final Recipients where those indicators will be finally defined based on the detailed description of Small project, detailed budget and roles of each Final Recipients.

**RCR 104 - Solutions taken up or up-scaled by organizations**, target value on the Programme level: 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.

**RCO 116 - Jointly developed solutions**, target value on the Programme level: 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

**1.22. Question:** We have an inquiry regarding the two companies as partners, one from the Republic of Croatia and the other from Bosnia and Herzegovina. The companies have the same name, after the surname of the owners, two brothers, one of whom lives and works in Croatia, the other in Bosnia and Herzegovina. According to the connection criteria, they are not related by ownership, but they have the same name.

**1.22. Answer:** The association of companies is defined in Article 3 of Annex I of Regulation 651/2014. In paragraph 2 of the aforementioned article, it is stated: Companies that achieve one of these connections through natural persons or a group of natural persons who act together if they engage in their activity or a part of their activity in the same relevant market or neighboring markets are also considered related.

**1.23. Question:** My company is located in Bosnia and Herzegovina, the basic activity (based on NACE classification) is 01.25. Beside basic activity, my company is registered and doing business in eligible activities (based on eligible activities in [Guidelines for MSEs as Final Recipients.](#)). Namely, my question is whether I can apply for this project under the innovation program for the production of the product in eligible activities, although is my company's basic activity in the domain of agriculture.

We have a partner from Croatia with whom we would work on the production of innovative product. His company is registered in section C Manufacturing.

**1.23. Answer:** According to the [Guidelines for MSEs as Final Recipients](#) (page 18)

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

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

Page 19:

### **3.7. Eligible activities**

Eligible activities of SP business cooperation should belong to the following [NACE codes<sup>2</sup>](#) 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.

In [NACE Rev. 2](#) (Statistical classification of economic activities in the European Community, Eurostat, European Communities, 2008.) from page 61 you can find detailed list of activities.

It is essential that your company has a registered activity for the Small Project activities you plan to carry out. During the evaluation, your main activity is looked at, but it is also looked at whether you have a registered activity for implementing Small project activities, as well as whether it belongs to eligible activities.

**1.24. Question:** We have an inquiry related to the first call within EmBRACE project. Namely in the "[Guidelines for MSEs as Final Recipients](#)" in section 2.2.3. among other things, it was stated that the Final Recipient, MSE "FRs must employ at least one employee in its last closed business year in the Program area" does this mean that regardless of the total number of employees in the company, the company must prove that has during 2023 (the last closed fiscal year) hired at least 1 new employee?

**1.24. Answer:** On your inquiry: this is one of basic eligibility criteria. It means that Final Recipient (micro or small enterprise) had to have at least 1 employee during the year 2023. In other words, entrepreneurs cannot apply if they had no employees in in the same period.

**1.25. Question:** Can we apply for the call, if our partner from Croatia has a craft opened in September 2023 and plans to change to a company after a one year of business. Is this eligible for applying for the call?

**1.25. Answer:**

Crafts are eligible for financing if they meet the minimum requirements:

- must be autonomous entrepreneurs, as stipulated in Article 3 of Annex 1 of Commission Regulation 651/2014/EU. Partners or related companies cannot be approved users within the same Small Project.

- **Each Final Recipient must be registered or have a branch of the company within the area defined by the Program Croatia - Bosnia and Herzegovina - Montenegro at least one year before the date of submission of the Small Project Proposal application**
- Each Final Recipient should have at least one closed business year for the headquarters and/or branch in the program area;
- Each Final Recipient should have at least one employee in its last closed business year in the program area;
- Every End User (Final Recipient) should have a positively closed last business year of operations.

More information about the project and partner for cooperation you may find on [EmBRACE project platform](#).

1.26. **Question:** I am writing to seek clarification regarding the EmBRACE project and the eligibility criteria for applicants. Specifically, I would like to know if a company that meets the set eligibility criteria but is registered for agricultural activities (NACE code A, group 01.4), and plans to undertake activities within the listed acceptable NACE codes (target economic sectors) under the EmBRACE project, would be considered an eligible applicant for the support.

Additionally, I would appreciate information on whether a company registered in multiple sectors of activity can carry out activities within an eligible sector, provided it ensures that ineligible sectors do not benefit from support?

1.26. **Answer:** In the document [Guidelines for MSEs as Final Recipients](#) (page 18) it is stated: The FRs containing the development of the following activities **are not eligible**:

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

Page 19 under:

### **3.7. Eligible activities**

Eligible activities of SP business cooperation should belong to the following [NACE codes<sup>2</sup>](#) 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.

The most important thing is that your company is registered for NACE activity (code) for the activities you are planning to implement.

During evaluation process, your main activity is checked and also whether you have a registered activity for planned Small Project activities, as well as whether it belongs to acceptable activities.

Regarding a second question whether a company registered in multiple sectors of activity can carry out activities within an eligible sector, provided it ensures that ineligible sectors do not benefit from support: in this case company is obliged to ensure the separation of acceptable from unacceptable sectors.

1.27. **Question:** I would kindly ask you for clear information, whether organizational forms such as "craft" in Croatia or "independent entrepreneur" that meet the defined criteria in terms of the number of employees and income are considered as acceptable users within the scope of this call. So, are the forms listed above acceptable?

1.27. **Answer:** Final Recipients are eligible for financing if they meet the minimum requirements:

- must be autonomous entrepreneurs, as stipulated in Article 3 of Annex 1 of Commission Regulation 651/2014/EU. Partners or related companies cannot be approved users within the same Small Project.
- **Each Final Recipient must be registered or have a branch of the company within the area defined by the Program Croatia - Bosnia and Herzegovina - Montenegro at least one year before the date of submission of the Small Project Proposal application**
- Each Final Recipient should have at least one closed business year for the headquarters and/or branch in the program area;
- Each Final Recipient should have at least one employee in its last closed business year in the program area;
- Every End User (Final Recipient) should have a positively closed last business year of operations.

More information about the project and partner for cooperation you may find on [EmBRACE project platform](#).

1.28. **Question:** Could you clarify for me the eligibility of certain costs for the project? Specifically, if two companies, both registered under the business activity of computer programming, collaborate, can the

following costs be considered eligible: costs associated with DevOps services provided by other specialized IT firms, costs related to the implementation of AI solutions, costs associated with the implementation and integration of AWS services.

1.28. **Answer:** Based on given information, it is hard to provide exact answer. Small project proposal should contain detailed justification and explanation why are needed external experts for DevOps services, AI solutions and AWS services. Especially, because of both applicants who are registered under the business activity of computer programming and have employees experienced in IT.

1.29. **Question:** Can you tell us in what way is the refunded support distributed among Final Recipients? Is it determined according to the percentage of individual participation in the Small project?

1.29. **Answer:** Each Final Recipient reports about his total expenses in specific reporting period or milestone. After approval of the report, Small Project Fund Beneficiary (HAMAG-BICRO) will make payments towards each Final Recipient in amount up to 85% of total reported amount. Exact percentage of cofinancing rate will be harmonized with the final version of documents for Small project financing (subsidy contract, Small project application form, budget).

Sole trader

Self employed

1.30. **Question:** Can you, please, explain us whether it is possible to apply for a Small project that would aim to open a business center where entrepreneurs from the both sides of the border could get all the advice about doing business on both sides of the border. What is meant by infrastructure costs?

1.30. **Answer:**

The conditions and criteria that Small projects must meet are explained in [Guidelines for MSEs as Final Recipients](#). There are three acceptable forms of cooperation in a Small projects:

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.

Small scale infrastructure costs are eligible in amount up to 10% of total budget per Final Recipient.

You can find more information on the [EmBRACE project platform](#).

**1.31. Question:** Can you, please, tell us whether the same Final Recipient with the several Small project proposals can apply for EmBRACE 1<sup>st</sup> call?

**1.31. Answer:** Based on the [Evaluation manual](#), if one of the Final Recipients has submitted more than one Small Project Application, only the first one will be evaluated.

**1.32. Question:** Can you tell us which documents are requested when applying Small projects?

**1.32. Answer:**

Application procedure is described in [Guidelines for MSEs as Final Recipients](#).

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.

**1.33. Question:** We have a question regarding the categorisation of enterprises. Montenegrin categorisation of micro, small and medium-sized enterprises is different from EU categorisation. We would like to know whether is our company an eligible applicant.

**1.33. Answer:** According to [Guidelines for MSEs as Final Recipients](#), Final Recipients 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.

According to 651/2014/EU Regulation, ANNEX I, Article 2:

Staff headcount and financial thresholds determining enterprise categories

1. The category of micro, small and medium-sized enterprises ('SMEs') is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
2. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
3. Within the SME category, a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

According to 651/2014/EU Regulation , ANNEX I, Article 4:

Data used for the staff headcount and the financial amounts and reference period

1. The data to apply to the headcount of staff and the financial amounts are those relating to the latest approved accounting period and calculated on an annual basis. They are taken into account from the date of closure of the accounts. The amount selected for the turnover is calculated excluding value added tax (VAT) and other indirect taxes.
2. Where, at the date of closure of the accounts, an enterprise finds that, on an annual basis, it has exceeded or fallen below the headcount or financial thresholds stated in Article 2, this will not result in

the loss or acquisition of the status of medium-sized, small or micro-enterprise unless those thresholds are exceeded over two consecutive accounting periods.

3. In the case of newly-established enterprises whose accounts have not yet been approved, the data to apply is to be derived from a bona fide estimate made in the course of the financial year.