

# 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.

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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 fulfil 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 seat 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.

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**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 fulfil 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.

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

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### 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 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.

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).

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 centre 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.

**1.34. Question:** Our company (ltd) is interested in applying to the EmBRACE project with the aim of developing services and products and growing the company. Although we did not have the opportunity to participate in such projects, we believe that it would be a significant step forward for the company. The company deals with education and teaching in the primary activity (19828376762). We are interested in how to find a partner in another country, how to know if the idea is competitive and acceptable.

**1.34. Answer:** You can find detailed information about the project itself and the 1st call at:

Platform: <https://cbchb.eu/cbc-cro-bih-mne/embrace/>

HAMAG-BICRO website: <https://hamagbicro.hr/bespovratne-potpore/embrace/>

You can find information about the call itself at the link: <https://cbchb.eu/wp-content/uploads/2024/06/Gfa-17062024.pdf>

If you are looking for possible project partners, you can register on the platform: <https://cbchb.eu/cbc-cro-bih-mne/embrace/partners/>

Please also look at the questions and answers we have received so far at: [https://hamagbicro.hr/wp-content/uploads/2024/07/EmBRACE-1st-Call-QA\\_v2.pdf](https://hamagbicro.hr/wp-content/uploads/2024/07/EmBRACE-1st-Call-QA_v2.pdf)

On this link <https://hamagbicro.hr/bespovratne-potpore/embrace/dokumenti/> you will find all the documentation required for the application.

The way projects are evaluated and scored can be found in the Evaluation manual (<https://hamagbicro.hr/wp-content/uploads/2024/06/SPF-Evaluation-manual-17062024-1.pdf>).

The conditions that the projects must meet are explained in detail and published in the Guidelines for MSEs as Final Recipients (<https://hamagbicro.hr/wp-content/uploads/2024/06/Gfa-17062024-1.pdf>).

1.35. **Question:** Regarding the Equipment costs in Small projects, is it acceptable a procurement of a delivery van for the faster and more safely delivery of products developed in the project to the agencies in the new market?

1.35. **Answer:** According to the [Guidelines for MSEs as Final Recipients](#) (pages 19, 20) under **3.7 Eligible activities** it is stated:

- 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).

1.36. **Question:** We are reading the application criteria and have a question regarding the distribution of ownership in the case of the development of a new product, technology or service. In particular, I am interested in how the percentage of ownership between the applicant and the partner is determined when the applicant independently develops the service, while the partners, for example, perform market research and help in content creating. Is there a standardized document or form that precisely defines the distribution of ownership in such cases? Also, can you clarify what the criteria are for determining the ownership percentages between the applicant and the partners?

1.36. **Answer:** Ownership of the product or service developed during the implementation of the Small project should be mutually agreed upon and distributed by the partners (Final Recipients). What is expected from Small Projects is equally distributed project activities and a budget showing that the partners cooperate with each other and complement each other during the implementation of the project.

According to the [Guidelines for MSEs as Final Recipients](#) on page 16:

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.

This agreement on the distribution of ownership between the Final Recipients should already be prepared at the time of signing the Subsidy Contract between HAMAG-BICRO (as SPFB) and the Final Recipients, i.e. before the beginning of Small Project implementation or at the very beginning of the Small Project implementation.

1.37. **Question:** I am interested in applying to the EmBRACE project (<https://hamagbicro.hr/objaven-prvi-javni-poziv-za-novi-projekt-embrace/>). Unfortunately, I just found out about the project, so I missed your lectures about it. I would like to know from which areas in Croatia we can apply? Does the city of Đakovo belong to the acceptable area?

1.37. **Answer:** The town of Đakovo is administratively part of the Osijek-Baranja County, and unfortunately, according to the Conditions of the 1st Invitation, the applicant is not eligible. You can see the program area and eligible counties at: <https://hamagbicro.hr/bespovratne-potpore/embrace/tko-se-moze-prijaviti/>.

1.38. **Question:** We have question regarding the application process. Is it possible to upload a video material?

1.38. **Answer:** Web platform for [EmBRACE application](#) submission has listed names of the documents for uploading and submission. In case of uploading more PDF documents, ZIP format is preferable.

1.39. **Question:** We have following questions:

- regarding the age of a company, are you looking at the annual financial report for the 2023, or is the key part age of the company older than 1 year?
- if is the key part for participation in the call age of the company older than 1 year, which point in the time is considered as eligible?

1.39. **Answer:** In [Guidelines for MSEs as Final Recipients](#) it is stated:

- FR's equity is positive for the last closed business year for seat and/ or branch in the Programme area.
- 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**.

1.40. **Question:** We would like to know whether the company have to have 15 % of own contribution to invest immediately in the moment of Small project application submission?

Do you know where we can find partner from Programme area for cooperation?

How is the money distributed between partners when it is reimbursed? Based on the exact percentage per period or per delivery of invoice?

1.40. **Answer:** The applicant (Final Recipient) does not have to have immediately 15% of own contribution in his own Small Project budget. Based on the [Subsidy Contract](#) on the Small Project financing (between Final Recipient and SPF beneficiary HAMAG-BICRO), payments instruments will be requested (Article 20 in Subsidy Contract).

For finding partners you can use the EmBRACE project platform to help you find a partner: <https://cbchb.eu/cbc-cro-bih-mne/embrace/partners/> .

Depending on the Small project size, there are two ways of reporting, and consequently reimbursement of costs to the Final Recipients:

**In Small projects up to EUR 100,000** (specific lump sums): milestones are agreed before the actual implementation of the project - key points in the implementation of the project aligned with activities and achieved results. Milestones will be periods of approximately 4 months. Final Recipients submit a report on the achieved milestone to HAMAG-BICRO, which asks for additions to the report or approves it. Upon approval of the report on the achieved milestone, HAMAG-BICRO pays funds to each Final Recipient separately in the amount of up to 85% of the reported total amount for each milestone.

**In Small projects over EUR 100,000:** these projects will submit classic reports on the progress of project implementation every 4 months. The (Small Project Fund Beneficiary HAMAG-BICRO will review the submitted project reports, if necessary, request a supplement and accept and approve the submitted reports. Upon approval of the report, funds are reimbursed to the Final Recipients. HAMAG-BICRO pays funds to each Final Recipient separately in the amount of up to 85% of his reported total amount.

1.41. **Question:** We have a question about filling in the Joint Statement. What does refer table 4 and 5 in Joint Statement? Do we state also our partner in it?

In Small project budget, can we avoid staff cost?

1.41. **Answer:** Documents that have been prepared in advance for potential applicants (Final Recipients) should not be changed. They need to be filled in with the information of all the partners (Final Recipients) in the Small Project. A copy of the Joint Statement is filled out for each individual Final Recipient.

In part 4. Linked persons, you should enter all companies that are connected to the Final Recipient through the owner and fill in the other required information in that table: name of the person, personal identification number, name of the company and other required information in columns E, F, G, H and I.

In part 5. Partner companies, all companies that are in partnership with the Final Recipient as an applicant should be entered. For each of these companies, you should also fill in the required information and values: columns C, D, E, F, G, H, I.

If the Final Recipient does not have such persons or partner companies, it is filled with n/a, /, or you enter 0 zeros in the number cells.

As for the budget, each Final Recipient's budget is entered in a separate column (depending on how many partners there are). The table has already been prepared in accordance with Programme rules in such a way as to calculate the percentage for Staff costs, which is an integral part of the Small Project budget and cannot be avoided.

1.42. **Question:**

1. Regarding the number of employees of Final recipient (crucial for micro and small enterprise classification), which number is relevant

a) Number stated i Annual Financial Report (GFI) for 2023, or

b) Number of employees at the time of project application

2). Regarding the Joint Statement, we believe there is a mistake in the formula in the table 4 - Linked persons (row 87, columns I and J). Please check the formula ad provide corrected table if applicable

3.) Issues regarding the custom fees. If a FR from Croatia procures (buys) the equipment and exports it to a FR in Montenegro (free of charge) since the pilot project will take place in Montenegro, how are custom fees resolved. The custom office will most likely require the invoice (proforma invoice will not be enough). Is there any kind of document or procedure that would resolve custom clearance since FR from Croatia does not sell merchandise to FR from Montenegro (and FR from Montenegro does not buy goods from FR in Croatia

**1.42. Answer:**

You may find answers below:

1. Regarding the number of employees of Final recipient (crucial for micro and small enterprise classification), which number is relevant

a) Number stated i Annual Financial Report (GFI) for 2023, or

b) Number of employees at the time of project application

- Relevant number is number stated at Annual Financial Report (GFI). For 1st Call it's for 2023.

2). Regarding the Joint Statement, we believe there is a mistake in the formula in the table 4 - Linked persons (row 87, columns I and J). Please check the formula ad provide corrected table if applicable

- Thank You for this notification, we will check it and correct it if necessary.

3.) Issues regarding the custom fees. If a FR from Croatia procures (buys) the equipment and exports it to a FR in Montenegro (free of charge) since the pilot project will take place in Montenegro, how are custom fees resolved. The custom office will most likely require the invoice (proforma invoice will not be enough). Is there any kind of document or procedure that would resolve custom clearance since FR from Croatia does not sell merchandise to FR from Montenegro (and FR from Montenegro does not buy goods from FR in Croatia

- Unfortunately, we are not familiar with the procedures/documents and necessary documentation related to customs clearance and transportation of goods.

You may find more information at the following links:

<https://carina.gov.hr/>



<https://mvep.gov.hr/glavni-izbornik-53092-82845-153673-225651/o-hrvatskom-izvozu/trgovinska-politika-europske-unije/trgovinski-odnosi-s-drzwama-regije/crna-gora/244666>

If the project activities take place in Montenegro, we do not see why the FR from Montenegro does not acquire by himself the necessary equipment for the activities.

Small project FRs may not resell purchased equipment for project activities to each other.

**1.43. Question:**

In relation to the EmBRACE 1st Call for MSEs, is it acceptable for affiliated companies to submit separate project proposals under this call? In other words, affiliated companies would not be a part of the same Small Project rather than a different project?

**1.43. Answer:**

Yes, if Applicant meet all the conditions of the Call and do not enter into a partnership with related companies, and if that different Small project is not about financing the same investments and costs.

**1.44. Question:**

Regarding the EmBRACE 1st Call for MSEs, is it acceptable for affiliated companies to act as an applicant on one project and as a partner on another?

**1.44. Answer:**

Yes, if they fulfill all the conditions of the Call, have sufficient financial and administrative capacity and if the Small project in which they would be a partner at does not finance the same investments and costs, i.e. they are different projects.

**Affiliated companies cannot be partners with each other in the same Small Projects.** It is also stated in the [GfA](#) that **one company cannot apply more than once in several Small projects**, ie. only the application submitted first will be taken into consideration.

The EC established criteria for defining "related companies" within the definition of "small and medium-sized enterprises" (SME) in [Commission Recommendation 2003/361/EC](#) and [Annex I of Commission Regulation \(EU\) no. 651/2014](#).

Please note that for the purposes of the De minimis regulation, the term one entrepreneur (refers to a legal entity) is important only and exclusively for determining the amount of received de minimis support not only in the country from which it is, but also from other countries if it has received de minimis support. In this sense, the connection through natural persons is not considered relevant for these needs, if that natural person does not have executive functions in owned companies, but his role refers only to ownership shares. In order to enable full and accurate reporting of de minimis aid, the applicant and each related company forming a "single entrepreneur" with the applicant must separately

complete one copy of the **De minimis statement**. Each individual Statement is signed by a person authorized to represent the company to which the Statement refers.

**1.45. Question:**

Is a business accelerator registered as a Limited Liability Company (Ltd or d.o.o.), with a nonprofit association as its founder, is eligible for application?

**1.45. Answer:**

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.

Also, please notice, 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.

**1.46. Question:**

Is a trade in which the owner is self-employed, and through which he pays his contributions and taxes and has no other employees, acceptable as FR?

**1.46. Answer:**

Potential Final Recipients must have at least one full time employee. If a full time self-employed craft owner is the only employee and is not employed by another employer, it is eligible. If the craft has more non fulltime employees, the sum of the number of employees must be at least 12 months

- for example, 2 employees for 6 months or 4 employees for 3 months will be considered as one full-time employee.

**1.47. Question:** Is it eligible, as Final Recipient, the company from Bosnia and Herzegovina who is a small enterprise, if the owner (50% of ownership) of the company is private medium sized enterprise from EU?

**1.47. Answer:** The stated owner (50% co-owner, a private company from the EU) is considered a partner company according to the data specified in the mandatory [Joint Statement](#) document, where 50% of the stated company is summed up, and it is seen whether the stated sum provides data for a small or medium-sized company.

The Commission established criteria for defining "related companies" within the definition of "small and medium-sized enterprises" (SME) in Commission Recommendation 2003/361/EC and Annex I of Commission Regulation (EU) no. 651/2014.

Commission Recommendation 2003/361/EC refers to the definition of SMEs, which is used in the framework of Community policy that is applied within the Community and the EEA - the purpose of adopting the Recommendation is to avoid different interpretations of the category of SMEs and the prescription of different thresholds.

<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32003H0361>

DEFINITION OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES ADOPTED BY THE COMMISSION

### **Article 1 Enterprise**

An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.

### **Article 2 Staff headcount and financial ceilings 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 microenterprise 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.

### **Article 3 Types of enterprise taken into consideration in calculating staff numbers and financial amounts**

1. An "autonomous enterprise" is any enterprise which is not classified as a partner enterprise within the meaning of paragraph 2 or as a linked enterprise within the meaning of paragraph 3.
2. "Partner enterprises" are all enterprises which are not classified as linked enterprises within the meaning of paragraph 3 and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises within the meaning of paragraph 3, 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).

However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of paragraph 3, either individually or jointly to the enterprise in question:

- a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses ("business angels"), provided the total investment of those business angels in the same enterprise is less than EUR 1250000;
  - b) universities or non-profit research centres;
  - c) institutional investors, including regional development funds;
  - d) autonomous local authorities with an annual budget of less than EUR 10 million and fewer than 5000 inhabitants.
3. "Linked enterprises" are enterprises which have any of the following relationships with each other:
- (a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
  - (b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
  - (c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
  - (d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

There is a presumption that no dominant influence exists if the investors listed in the second subparagraph of paragraph 2 are not involving themselves directly or indirectly in the management of the enterprise in question, without prejudice to their rights as stakeholders.

Enterprises having any of the relationships described in the first subparagraph through one or more other enterprises, or any one of the investors mentioned in paragraph 2, are also considered to be linked.

Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An "adjacent market" is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

4. Except in the cases set out in paragraph 2, second subparagraph, an enterprise cannot be considered an SME if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies.
5. Enterprises may make a declaration of status as an autonomous enterprise, partner enterprise or linked enterprise, including the data regarding the ceilings set out in Article 2. The declaration may be made even if the capital is spread in such a way that it is not possible to determine exactly by whom it is held, in which case the enterprise may declare in good faith that it can legitimately presume that it is not owned as to 25 % or more by one enterprise or jointly by enterprises linked to one another. Such declarations are made without prejudice to the checks and investigations provided for by national or Community rules.

That is, according to Commission Regulation (EU) no. 651/2014:

Article 3.

<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0651#d1e71-70-1>

### **Types of enterprise taken into consideration in calculating staff numbers and financial amounts**

1. An 'autonomous enterprise' is any enterprise which is not classified as a partner enterprise within the meaning of paragraph 2 or as a linked enterprise within the meaning of paragraph 3.
2. 'Partner enterprises' are all enterprises which are not classified as linked enterprises within the meaning of paragraph 3 and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises within the meaning of paragraph 3, 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).

However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of paragraph 3, either individually or jointly to the enterprise in question:

- (a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses (business

angels), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;

- (b) universities or non-profit research centres;
- (c) institutional investors, including regional development funds;
- (d) autonomous local authorities with an annual budget of less than EUR 10 million and less than 5 000 inhabitants.

3. 'Linked enterprises' are enterprises which have any of the following relationships with each other:

- (a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
- (b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- (c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
- (d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

There is a presumption that no dominant influence exists if the investors listed in the second subparagraph of paragraph 2 are not involving themselves directly or indirectly in the management of the enterprise in question, without prejudice to their rights as shareholders.

Enterprises having any of the relationships described in the first subparagraph through one or more other enterprises, or any one of the investors mentioned in paragraph 2, are also considered to be linked.

Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An 'adjacent market' is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

4. Except in the cases set out in paragraph 2, second subparagraph, an enterprise cannot be considered an SME if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies.

5. Enterprises may make a declaration of status as an autonomous enterprise, partner enterprise or linked enterprise, including the data regarding the thresholds set out in Article 2. The declaration may be made even if the capital is spread in such a way that it is not possible to determine exactly by whom it is held, in which case the enterprise may declare in good faith that it can legitimately presume that it is not owned as to 25 % or more by one enterprise or jointly by enterprises linked to one another. Such

declarations are made without prejudice to the checks and investigations provided for by national or Union rules.

**1.48. Question:** We are interested in our company's participation in the EmBRACE project. Our company belongs to the group of small companies. We deal with the implementation of programs in the field of additional education, psychomotor development of children and young people, and neuro-cognitive development. Can you please provide us following answers:

1. Is it necessary to register on some platform of companies that are interested in participating in this project?
2. Is it necessary to search for partners through the database or can we register partners from Croatia and Bosnia and Herzegovina (if we already have partners that we would like to propose).
3. What is the duration of the project, i.e. the time of realization? I noticed the information, but I don't know if it refers directly to this call or is general to the duration of the EmBRACE project.

Project duration: 60 months (March 2024 – February 2029)

4. Is the project supposed to provide co-financing on the account before the start of the project implementation?
5. Is the project paid for in advance in stages, part by part, or do we finance it in stages, so we are reimbursed for the completed stages successively.
6. The project states that we need to develop a new product-service. Does this mean that we have to develop a new product or service or adapt our existing product - service to the target group we choose.
7. Should the target group be the same for all three partners?
8. Is the total amount of the project including all three partners, and then 1/3 is divided by partner to all three? For a project of up to €90,000, €30,000 is divided between three partners and each successively participates with their 25% for co-financing?

**1.48. Answer:** Answers to your questions are:

1. It is not necessary to register on the platform. If you want you can search for possible Small project partners among already registered companies: <https://cbchb.eu/cbc-cro-bih-mne/embrace/partners/>
2. It is not obligatory to find partners via EmBRACE platform <https://cbchb.eu/cbc-cro-bih-mne/embrace/partners/>. You can apply for Small projects with the partners you already have.
3. EmBRACE project duration is 60 months. You can apply for Small project. Duration of Small project is between 6-12 months.



4. It is not foreseen for Final Recipients to have money for project implementation on the bank account before the beginning of their Small project. Please, keep in mind that the business operations of the applicants and their ability to implement Small project activities stated in the application will be checked.

5. Final Recipients need to prefinance their activities specified in the Small Project Application. After submission and approval of project reports/milestones, EU funds will be paid to each Final Recipient separately. Milestones are measured by completed Small project activities and established results, which are determined upon signing the contract, and the project report is submitted after each project period (after 4 months of implementation).

Way of reporting depends on the Small project option itself: Small projects up to EUR 100,000.00 are reported in the form of milestones, and Small projects over EUR 100,000.00 are reported in the form of project periods every 4 months.

6. Acceptable forms of cooperation (market development, product development, diversification) are already listed in questions before.

7. Target group doesn't have to be the same for all partners. It is important that they belong to the category of micro or small enterprises, that they are registered within the Programme area, and that they were founded at least 1 year before submitting the project application and that the project activities are carried out in the Programme area.

8. The Small project application and the Small project budget are submitted jointly by the partners. Each Final Recipient DOES NOT SUBMIT a Small project application SEPARATELY. According to the agreement, you determine the partner who will submit the application for all partners on the Small project.

Budget as well as project activities should be equally distributed among Final Recipients (partners).

The minimum amount of an individual Final Recipient (partner) must be 20% of the overall Small project budget.

More information about EmBRACE project you can find here: <https://cbchb.eu/cbc-cro-bih-mne/embrace/>

**IMPORTANT:** Detailed information for applicants you can find in [Guidelines for MSEs as Final Recipients](#)

All documentation for application submission you can find here: <https://cbchb.eu/cbc-cro-bih-mne/embrace/project-documentation/>

Presentation about EmBRACE project is here: <https://cbchb.eu/wp-content/uploads/2024/07/Radionica-za-1.-poziv-za-poduzetnike-EmBRACE-fin.pdf>

Questions and answers about 1st call you can find here: [https://cbchb.eu/wp-content/uploads/2024/07/EmBRACE-1st-Call-QA\\_v2.pdf](https://cbchb.eu/wp-content/uploads/2024/07/EmBRACE-1st-Call-QA_v2.pdf)

Video for the entrepreneurs for the 1st call you can find here: <https://youtu.be/Wo0mYa7ykQI>

**1.49. Question:** We are a digital product development company from Montenegro and we are interested in participating in the EmBRACE call for projects. We are currently in the process of preparing to apply for the EmBRACE project and we have found partners in target countries (Croatia and Bosnia). Our idea revolves around building a platform which supports a gig economy i.e. allowing people who move between the towns in our countries to seek help from the locals for things such as administration, bureaucracy, finding an apartment, etc. Our goal is to develop a new product which is new to the markets of all the partners, focusing on the diversification of business cooperation between the partners. Could you let us know, from your perspective, whether this is an eligible idea and if not, how should we revise it?

**1.49. Answer:** In the interest of equal treatment, HAMAG-BICRO as a Small Project Fund Beneficiary cannot give a prior opinion regarding the acceptability of the applicant/partner, the project or certain activities and costs, and cannot prejudge the outcome of individual stages of the award procedure as described in the GfA. Consequently, HAMAG-BICRO, as a Small Project Fund Beneficiary, is unable to answer questions that require an assessment of the acceptability of a specific project, a specific applicants/partners, specific activities, specific costs and similar to. Therefore, in the specific case, without insight into the project proposal HAMAG-BICRO as a Small Project Fund Beneficiary is not able to answer this question. The formulation of the project proposal is the responsibility of the applicant.

**1.50. Question:** Can you please clarify questions below:

- VAT number – which number should we enter in Small Project Application?
- Small project duration: if we are planning to be 6 months, is it optimal to start from 01.12.2024.?
- Regarding the D 1. Description of the workplan in table Indicative activity budget, it is not clear to us what it refers to?
- Travel and accommodation cost: is it possible to plan the travel costs of the partners to each other

**1.50. Answer:** Please find your answers below:

- VAT number refers to the company's tax number (number under which a business entity or natural person is registered with the Tax Administration)
- Small project duration: It is optimal.
- Indicative activity budget refers to the indicative amount of the budget required for the specified project activity.
- The amount for - travel and accommodation costs is calculated automatically (15% flat rate of staff costs). According to the [Guidelines for MSEs as Final Recipients](#), on page 23, under 3.8.4. Travel and accommodation costs are explained in detail - 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.

1.51. **Question:** We are preparing a Small project application and we are sending a few questions:

1. In evaluation process of the projects, we did not determine the difference between Small project option 1 and 2, i.e. up to €100,000 and over €100,000, whether they are ranked exactly the same.
2. The SP Budget table has built-in formulas that refer to projects over €100,000; can we manually change them and turn off the set limits (eg turn off the math for "staff costs")
3. Is it possible for one supplier to issue a joint offer for all 3 partners (licenses of the same software procured by partners from HR, BiH and Montenegro), or must he give 3 separate offers to each company individually - the joint offer includes more favorable procurement conditions,
4. Is a partnership considered to be established if one company is a subcontractor to another as a producer of raw materials, service delivery or components that are incorporated into the product of the first, in addition,
5. Can one of the partners be exclusively connected in a partnership for the distribution of products, and for this purpose improves its storage and IT equipment,

Is the project management service a legitimate service that can be incorporated into the project by all partners (includes administration, consulting on project implementation, preparation of all reports, control of execution of contractual obligations)?

1.51. **Answer:** Answers to your question are below:

1. Both Small Project options are ranked equally and the application conditions are the same. The difference is in the reporting procedure.
2. Small Project budget table has built-in formulas and it is not allowed to change it or modify. The same is with other documentation.
3. It would be more clear and more transparent if each FR had its own individual pro-forma offer, but if the supplier issues an offer that clearly and transparently states that the offer applies to all 3 partners and it is visible how much the cost is for each partner, the collective offer is acceptable.

1.52. **Question:** We are currently preparing a project with partners from Croatia and Montenegro, but we want to check whether our company definitely meets the criteria for the implementation of this program. Our company is established in 2023 and last year ended with a positive business result, currently has two employees, with the projection of employing 2 more employees by the end of 2024. We started the procedure for starting the company in August 2023, but due to vacations, we only received the decision in September 2023. Please tell us whether our company meets the basic requirements for the application?

1.52. **Answer:** According to [Guidelines for MSEs as Final Recipients](#) page 10: 2.1. Partnership requirements it is stated:

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.

Unfortunately, you are not eligible for the 1st Call, but you will be for the 2nd Call, which is planned for 2025, and the 3rd Call.

1.53. **Question:** Could you let us know whether is it possible for the FR to be included on the application for more than 1 project or it is restricted due to the de minimis rules?

1.53. **Answer:** There cannot be a concurrent submission with another project proposal.

If an applicant submits more than one proposal, only the first proposal will be considered for evaluation.

1.54. **Question:** We need additional clarification: is a trade in which the owner is self-employed, and through which he pays his contributions and taxes and has no other employees, acceptable as FR?

1.54. **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.

**Please, also note:**

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

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

1.55. **Question:** We have a question regarding the application process to EmBRACE program. In case a micro business wishes to apply, but the personell of the busiess or partners don't possess a high level of digital literacy to fill out the application form or keep correspondance, could that business officially appoint a representative or a contact (a third party) to submit application and send reports in their name?

1.55. **Answer:** Answer to your question is:

### **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

Please also note:

### **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[1]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.

1.56. **Question:** We are preparing a Small project proposal that is expected to fall into the category SP Option 1 up to 100,000 EUR. According to the application guide, this would involve the *specific lump sum* form of cost reimbursement.

In this regard, we have a few questions:

1. Given that our project proposal falls under this category, could you please clarify the process for completing the *Part E. Final Recipient Budget* form and the *Annex-VIII-Small-Project-Budget*? Is it sufficient to only provide the total lump sum amount with a breakdown by partners or is a more detailed presentation of costs by category required?
2. If filling out *Annex-VIII* is still required for this category, could you provide guidance on how to correctly complete this table, considering that the current settings are tailored for Option 2, which

1.56. **Answer:** Answers to your questions are:

1. The lump sums/flat rates are automatically calculated when the categories of real costs (external expertise and services, equipment, small scale infrastructure and works) are filled in.
2. The conditions and the application forms are the same for projects up to and over 100.000 eur. The sheet Annex VIII SP Budget has integrated formulas and must not be changed nor modified, as the rest of the project documentation. The SPFB cannot provide guidance on how to fill out the project documentation due to the equal treatment of all applicants.

1.57. **Question:** We have a question regarding the application submission and requested documentation when applying.

In case of self-employed persons as a company, and in our scenario, a self-employed person in a trade does not have an employment contract, so he does not have an employment contract, but he has other evidence that he can attach as proof of employment, because he pays himself contributions, etc. Instead of an employment contract (it does not exist in this case), which documentation is eligible to submit with whole application?

1.57. **Answer:** The entrepreneur must employ at least one person full-time. It is acceptable if the owner is the only employed person in his own trade (not with another employer) and pays contributions for himself. If there is no employment contract and no salary payment, he can prove this with a documentation according to in national legislation or regulations (in Croatia: JOPPD obrazac ili izvadak iz HZMO).

Regarding crafts, since they usually only work for a season, the sum of the number of employees must be at least 12 months - for example, 2 people for 6 months or 4 people for 3 months will be considered as one full-time employee.

Please note that in addition, they must meet all other criteria specified in the [Guidelines for MSEs as Final Recipients](#).

1.58. **Question:** We are asking for clarification regarding the de minimis aid. It is clear that the current and previous two years are taken into account, as well as that De minimis aid refers to all types of support for the company. And that the total amount of De minimis aid is EUR 300,000.

What is not clear are the percentages of 33.33% per country. And in the end, how much is the allowed De minimis maximum aid granted per company?

Please give an example. For example, Company A from Croatia may be granted De minimis support of EUR 150,000 (for the previous three years), Company B from Bosnia and Herzegovina EUR 100,000 and Company C from Montenegro EUR 50,000. A total of EUR 300,000.

Or all participants (three companies, one each from Croatia, Bosnia and Herzegovina and Montenegro) can have max. per 100,000 EUR of De minimis aid

1.58. **Answer:** Granted support to Final Recipients through the Small Project Fund is granted in the form of de minimis support according to Commission Regulation (EU) 2023/2831 of December 13, 2023, which stipulates that the total amount of small value support granted per entrepreneur may not exceed EUR 300,000 during any 3-year period.

De minimis aid for each Final Recipient (FR) granted under the Interreg VI-A IPA program Croatia - Bosnia and Herzegovina - Montenegro 2021 - 2027 includes 33.33% of aid from Croatia (HR), 33.33% from Bosnia and Herzegovina (BA) and 33.33% of aid. % Montenegro (ME).

That means: if it is a small project with 3 partners, the grant awarded to each Final Recipient is divided among 3 countries. For example, if the Final Recipient has been allocated EUR 65,000 in EU funds, allocated funds are de minimis support, which is distributed as EUR 21,666.66 realized de minimis support in HR, EUR 21,666.66 realized de minimis support in BA and EUR 21,666.66 realized de minimis aid to ME.

1.59. **Question:** We have a question regarding the documentation required for the application. Does Tax Administration Certificate refer to a certificate of settled tax obligations or just tax registration (ID number



in the case of BA companies)? Also, is it necessary to attach a certificate of settled obligations or proof of registration from the Indirect Tax Administration?

1.59. **Answer:** Tax Administration Certificate refers to the confirmation of the national tax administration that the Final Recipient has fulfilled its obligations related to the payment of contributions (for pension and health insurance) and the payment of taxes in accordance with national legislation and regulation.

1.60. **Question:** Regarding the pro-forma offers, can you confirm that for costs below 2.500,00 EUR Final Recipients doesn't need to submit pro-forma offers?

1.60. **Answer:** Regarding the pro-forma offers for Small Project expenditures, FRs are obligated to follow the rules in [Guidelines for MSEs as Final Recipients](#) (page 18).

For costs below 2.500 EUR (excluding VAT) it is not necessary to submit pro-forma offers.

1.61. **Question:** We would kindly ask a clarification to the following questions related to the referenced Call:

1. **Value Added Tax**- it is stated in the Call text (section 3.9, page 25) that VAT must be planned in the SP budget. In case VAT is refundable for the final beneficiary through input tax (pretporez), it should be considered ineligible and not be taken as a part of the overall budget. Please confirm our understanding.

2. **Branch office** - are there any conditions you would request from the final beneficiary related to the branch office such as confirmation of the number of employees within the branch or similar (not mentioned in the call text) that are relevant for the evaluation. From the Call text it can be concluded that no additional information is necessary on branch operations besides the ones visible through financial statements. Please also clarify if the employment contract that is signed with the legal seat address (not the branch) and in which the worker operates in the Programme area is eligible. Is anything else beside the employment contract necessary to prove this condition to be able to prepare it?

3. The **language of the supporting documents** e.g. for Montenegro partners is in cyrillics and in national language - translation to English is not necessary?

4. The **extract from the official companies' registries** such as e.g. Sudski registar for Croatian partners needs to be how old? Usual norm used is up to 90 days.

1.61. **Answer:** Answers to your questions are below:

1. **Value Added Tax** – in [GfA](#) on page 25 it is stated: Value added tax (VAT) is eligible expenditure and must be planned in SP budget.
2. **Branch office** – Final Recipients need to fulfil set of criteria according to the [GfA](#). Regarding the branch/seat, in [GfA](#) it is stated:
  - 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.

**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.**

Small Project activities should be implemented within the eligible Programme area.

Regarding the employment contract without information that employee works in branch office, we advise to submit statement or annex to the employment contract containing the information about work place for the employee in branch office in eligible Programme area.

3. The **language of the supporting documents** – in [GfA](#) (chapter 4. Application procedure, page 26, you may find the list of requested documents when applying) it is stated that: 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.
4. The **extract from the official companies' registries** such as e.g. Sudski registar for Croatian partners needs to be how old? – in [GfA](#) (chapter 4. Application procedure, page 26) you may find the list of requested documents when applying. It is requested **Company register extract** (Croatia; Bosnia and Herzegovina; Montenegro) – for each Final Recipient.

1.62. **Question:** We have a question regarding the distribution of budget and budget lines in Small project budget document. Can we avoid, for example travel costs or staff costs?

1.62. **Answer:** The [Small Project budget](#) table has been prepared according to the Programme rules. It is not allowed to change the document. For each Final Recipient, Staff costs are calculated as 20% of real costs (summed external services, equipment and small-scale infrastructure). Office & administration costs are calculated as 15% of staff costs. Travel and accommodation costs are calculated as 15% of staff costs.

Final Recipients can choose between: External expertise and services costs, Equipment costs, Costs of small-scale infrastructure and works. They can use they can use any combination of these costs, in addition to those that are automatically calculated.

1.63. **Question:** What is the deadline for the submission of applications?

1.63. **Answer:** The deadline for the submission of 1<sup>st</sup> call Small Project Applications is September 17, until 23:59.