

IPA Component IIIc - Regional Competitiveness Operational Programme 2007-2011 for Community Assistance under the IPA Regional Development Component in Croatia

Support for Increasing the Competitiveness of Croatian SMEs

Reference: **EuropeAid/132357/M/ACT/HR**

QUESTIONS AND ANSWERS II

Date: 19 December 2012

NOTE: Since some of the questions submitted to the Contracting Authority include project specific information, they have not been included in the table in their entirety, i.e. only the segments that may be considered relevant for other applicants have been included.

List of Abbreviations:

CFCA – Central Finance and Contracting Agency

CA – Contracting Authority

GfA – Guidelines for Applicants

General Conditions - ANNEX II General Conditions applicable to European Union-financed grant contracts for external actions

PRAG – Practical Guide to contract procedures for EU external actions

	QUESTIONS	ANSWERS
1.	Craft has applied to the mentioned call for proposals and has received invitation to submit a full tender application. However, in meantime, the Craft has been re-registered into a company carrying the same name as it was registered under Craft, i.e. a company has become a legal successor of the Craft. We kindly ask You to inform us if this re-registration from Craft to a company will have any impact on further application for the grant?	The eligibility of applicants and their partners will be verified in the STEP 3 of the evaluation procedure. Applicants who have been provisionally selected in STEP 2, or listed under the reserve list, will be informed in writing by the Contracting Authority and requested to supply the documentary evidence in order to allow the Contracting Authority to verify the eligibility of the applicants and their partners. In this specific case, in the course of STEP 3: VERIFICATION OF ELIGIBILITY OF THE

	QUESTIONS	ANSWERS
		<p>APPLICANT AND PARTNERS, the Applicant must provide documentary evidence in support of the following:</p> <ul style="list-style-type: none"> • that both of the legal entities fulfil all the eligibility criteria published in the GfA, • the documentary proof must be provided to the CA showing that the new company is the legal successor of the company which applied for a grant.
2.	Is adding one additional partner in the project during completing full application form considered to be acceptable or is it a major inconsistency?	
3.	Providing that the design of the Action is not changed, is it allowed to add partners to the Action for which the Concept Note has passed evaluation and has been summoned to full application but did not mention partners?	<p>In the Concept note the applicants must provide an estimate of the amount of contribution requested from the Contracting Authority, and only the applicants invited to submit a full application in the second phase are required to present a detailed budget. The GfA states the EU contribution may not vary from the initial estimate by more than 20%.</p>
4.	Can the project activities be reorganized and slightly changed in the Full Application form?	
5.	Can the implementation period of the Action defined in the Application Form be longer than initially stated in the Concept Note?	<p>Furthermore, since the Part A Concept Note template does not oblige the applicants to identify the partners and associates relevant for the implementation of the proposed Action at the stage of submission of Concept Notes to the CFCA, the amendments concerning the number of partners/associates in the Full Application Form are generally considered acceptable.</p>
6.	Is it possible to extend the estimated project duration in comparison with the estimation from the Concept Note? (i.e. the project was estimated to last in the CN 16 months but we have now realized that it will actually last 18 months, mainly as the result of the time needed for the public procurement)	<p>However, any significant modifications with respect to the information provided in the submitted Concept Notes may be considered in contradiction with the section 2.2.1 of the GfA, which stipulates the elements assessed on the basis of the concept note cannot be modified by the applicant in the full application form.</p>
7.	<p>In our Concept Note we have written an estimate amount of requested EU contribution to be 170 000 Euros. This amount was calculated as a sum of all elements in the Budget for our Project.</p> <p>Now when writing a Full Application our Budget is more detailed and is still around 170 000 Euros (and in the end it will not vary from the initial estimate by more than 20%).</p> <p>BUT, while making detailed calculations about cost effectiveness of our Project we concluded that we would like to change the specifications and portions of certain equipment.</p> <p>NOW, after having few more months for elaborating our Project and researching for the best possible solution for our production system we concluded that within the same Actions and the same Budget we would get better energy efficiency (taking into account year round seasonal changes and long term projections) from introducing modified specification.</p> <p>All the Objectives, Target groups and Final beneficiaries, the Activities and the Budget of the Project are the same as in the Concept Note, except for the Results regarding energy efficiency which would be even enhanced then those stated in the Concept Note.</p> <p>Is this allowed?</p>	<p>The impact of the modifications with respect to the budget / partners / associates / activities / duration/ technical specifications and technology, when compared to what was initially defined by the applicant in the Concept Note, will be taken into consideration by the Evaluation Committee. In that sense, applicants are advised to consider with due care all criteria specified in the Evaluation Grid for Concept Notes under section 2.3 of the GfA prior to any change of budget/partners/associates/activities/duration/technical specifications and technology already identified in the Concept Note.</p> <p>Conclusively, mentioned modifications should be avoided unless it can be ensured the quality and relevance of the proposed Action will clearly remain the same or be improved.</p>

	QUESTIONS	ANSWERS
8.	Can the technology mentioned in the Concept Note be changed in the Full Application form?	
9.	The applicant has been selected for the second round of evaluation. In the Concept Note, only part of their larger programme was described as project eligible for the CfP. Nevertheless, the applicant already has a business plan developed for the whole programme. Is it necessary to develop new business plan only for the project, or the plan for the whole programme can be used?	<p>In the “Business plan” template, under section 2.2 <i>Strategy</i> the applicant is required to illustrate the company strategy, briefly presenting the medium term company development plan (3 up to 5 years) and <u>explain why the proposed action/investment is in line with, and correlated to, the company’s strategy/targets</u>. Furthermore, under section 2.4 <i>Monitoring indicators</i> the applicant is required to establish clearly defined, realistic, objectively verifiable and time-bound project indicators, achieved before the end of the project.</p> <p>Therefore, the Business Plan provided as part of the Full Application should provide specific information regarding activities and results of the project to be financed through the grant scheme, but should also provide an overview of the company and its development programme as a whole. It should be evident how this project fits into the company’s larger development plan, thus showing the company’s capacity, sustainability, and similar. It should also be clear which outputs and results will be achieved directly through the project and which will come through other activities of the company’s development plan.</p>
10.	In section 2.4. of Business plan, does the column with the title "Value to be achieved " ask for the date achieved during the project implementation (18 months) or we can show results in the further future?	<p>The column “Value to be achieved” refers to indicators both during the implementation period of the project, and to indicators following the implementation period. Namely, for rows describing “Outputs” the indicators refer to those achieved within the implementation period (e.g. 10 people trained to work on newly purchased machinery), while for rows describing “Results”, i.e. achievement of specific objectives, the indicators refer to those achieved following the implementation period (e.g. increased sales of product xy by 30% in 2015, as compared to volume of sales in 2013).</p> <p>Please note that indicators need to coincide with those in the Log frame Matrix.</p>

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11.	<p>The main activity in our project proposal is the acquisition of a special machine with which we will become more competitive on our market. Since other activities are planned after the acquisition that are part of the same action and the machine will be in function, what happens if this same machine starts generate profit before the end of the action? What do we do with this profit? Do we give it back to the European Commission or we keep it? How do we show this profit in the reports that we are obligated to send you?</p>	<p>Article 17.3 of the of the General Conditions stipulates the following: The Beneficiary accepts that the grant can under no circumstances result in a profit for itself and that it must be limited to the amount required to balance income and expenditure for the Action. Profit shall be defined as: – In the case of a grant for an Action, <u>a surplus of actual receipts over the actual costs of the Action in question when the request is made for payment of the balance.</u></p> <p>However, revenues emanating from the Action in excess of the total costs not funded by the European Union/grant will be considered as profit. As such, they will need to be deducted when calculating the final amount of the EU grant.</p> <p>The provisions related to profit resulting from the grant (as surplus of actual receipts over the actual costs) and/or revenues emanating from the Action are limited to the duration of the implementation of the Action.</p> <p>The revenues will be presented in the Annex VI Model financial report, <i>Final sources of funding</i> sheet, under “Revenues from the Action”:</p> <p>Final sources of funding</p> <table border="1" data-bbox="1106 820 2132 1257"> <thead> <tr> <th colspan="2"></th> <th>Amount EUR</th> </tr> </thead> <tbody> <tr> <td colspan="2">Applicant contribution</td> <td></td> </tr> <tr> <td colspan="2">Other contributions (other EU Funds or EU Member States etc)</td> <td></td> </tr> <tr> <td><i>Name</i></td> <td><i>Conditions</i></td> <td></td> </tr> <tr> <td colspan="2"><u>Revenue from the Action</u></td> <td></td> </tr> <tr> <td colspan="2">Interests from prefinancing (see article 15.9 of the General Conditions)</td> <td></td> </tr> </tbody> </table>			Amount EUR	Applicant contribution			Other contributions (other EU Funds or EU Member States etc)			<i>Name</i>	<i>Conditions</i>		<u>Revenue from the Action</u>			Interests from prefinancing (see article 15.9 of the General Conditions)		
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12.	<p>If we generate profit during the action, can on the invoices be set taxes?</p>	<p>Since the (possible) profit generated during the implementation of Action is to be considered excess of the total costs <u>not</u> funded by the European Union/grant, the related invoices may be issued in line with established practice of the applicant and relevant national legislation.</p>																		

	QUESTIONS	ANSWERS
13.	<p>In the part 3.1. and 3.2. of the FA are some questions to fill up for which we do not understand the meaning. Abbreviation - does that mean the abbreviation of the name of our company?</p> <p>In the part 3.2. of the FA there are some questions that by our opinion are focused on NGO's. Since we are a trade organisation, what should we answer on the question on which value are we based?</p>	<p>Under section 3.1 <i>Identity</i> of Full Application Form the category “Abbreviation” is related to abbreviation of the name of the organisation; in case no such abbreviation exists, please insert N/A.</p> <p>Under section 3.2 Profile, please select the most appropriate category with respect to your specific organisation (with respect to the established eligibility of the applicants for this Call it may be concluded the term “Neutral” would be most adequate).</p>
14.	<p>Can the project manager be engaged as external expert on the basis of piece work agreement, and the costs of his/her salary listed under Budget heading 5 Other costs and services?</p>	<p>Please note that in line with Article 1.2 of the General Conditions, The Beneficiary shall implement the Action with the requisite care, efficiency, transparency and diligence, and for this purpose shall mobilise all the financial, human and material resources required for full implementation of the Action as specified in the Description of the Action.</p> <p>In case a person is hired as an external expert, s/he is hired for the provision of specific expertise defined within a service contract concluded according to the procurement rules set out in Annex IV of the standard grant contract (Procurement by grant Beneficiaries in the context of European Union external actions). External experts are budgeted under Budget heading 5: Other costs and services.</p> <p>The Applicant and Partner employees working on the project and contributing to delivering project outputs / results are budgeted under Budget heading 1. Human Resources. Types of contracts used for salaries shall be determined by the Grant Beneficiary institution in accordance with national legislation.</p>
15.	<p>In the business plan should we put the amounts declared in EUR or HRK (kuna)?</p>	<p>Since the Budget for the Action and amount of requested EU contribution is to be defined in euros, it is recommended the amounts in the business plan are defined in euros as well.</p>

	QUESTIONS	ANSWERS
16.	<p>The firm is performing its activity on the company premises under the long term establishment and the Tax Administration's Decision on tax rate. The owners of the establishment are four natural persons, simultaneously the company founders, and until recently all four of them the owners of the company. The present situation is as follows: two owners are owners of the establishment and the company: one owner of the establishment transferred his company ownership rights to his son, and the fourth owner of the establishment withdrew from his property rights.</p> <p>Does the above mentioned situation meet the propositions of the competition documentation, because, in the final phase, before signing the contract, it is necessary to submit the proof of evidence in the form of the following documents:</p> <p>1) Construction permit and/or some other appropriate documentation in relation to the component of work activity according to Law on Regional Planning and Construction (Official Gazette 76/2007) (the permit is issued to the owners of the establishment)</p> <p>Can the solution could be the following:</p> <ul style="list-style-type: none"> - Long-term contract on lease of the establishment (facility, object) assuming an obligation of company's activity performance in duration of seven years at least, without the possibility on the side of the owners of the establishment to breach the agreement and - Permit on the side of the owners of the establishment for the solar power plant installation on the roof of the establishment 	<p>The GfA does not stipulate that the applicant must be the owner of the building in which project implementation is to take place.</p> <p>For projects which include implementation of works on the commercial premises, the applicant is required to submit a copy of the location permit, building permit and/ or any other appropriate permit or the coinciding works. Based on the provided building permit the Contracting Authority accepts that the Applicant is permitted to perform the works, regardless of the ownership of the building.</p> <p>However, in situations where neither the applicant nor partner is the owner of the premises it is important to consider the following: Section 1.2 <i>Description of applicant and partners/associates</i> of the Business Plan asks the Applicant to” Present an overview of company assets, providing a summary description of production facilities...” and section 2.5 <i>Financial Projections</i> requires the Applicant to provide a realistic plan of revenue and expenditures over the next period. Section 2.2.4 <i>Sustainability of the action</i> of the Full Application Form requires the Applicant to list all risks to the sustainability of the project results.</p> <p>Based on the provided financial information and forecasts it will be evident that the Applicant is not the owner of the commercial premises. A project where neither the Applicant nor Partner is the owner of the building in which works will be performed must list the possibility of changing their commercial premises as a risk. Consequently this can affect the score that the Application is awarded for project sustainability considering that an investment is to be made into a building in which the Applicant company may not continue is operations.</p>

	QUESTIONS	ANSWERS
17.	<p>Our company operates in rented business premises which have regular building documents, the Lease Contract with four co-owners of the business building and the yard. The co-owners had been owners till 2010.</p> <p>Present owners of the company are new physical subjects who are the company's employees (manager, technologist and sales specialist) and have the Lease Contract of the business premises which is effective until possible „revocation“.</p> <p>Investments per Project contain: purchase of equipment (tunnel for deep freezing); but also investing in the infrastructure of the business premises and the courtyard: installation of a biological wastewater treatment plant and installation of solar panels.</p> <p>The co-owners agree with the investing into infrastructure of the business premises with the aim of improvement of business conditions.</p> <p>We kindly ask you the clarifications on the investments.</p>	
18.	<p>During Step 3 of Verification of Eligibility of the Applicant (in accordance with section 2.4 of the GfA), applicants will be required to demonstrate profit after taxation for the fiscal year preceding the date of grant application (full application) by presenting the relevant financial reports.</p> <p>If the deadline for submission of the full application form is 31st of December 2012 - is the fiscal year that would be subject of this verification 2011, 2010 or 2012?</p> <p>Our company has made a profit in 2011 and 2010 but in 2012 has loss. We are concern if we would have to demonstrate profit for the fiscal year 2012 as the evaluation of the full application form will be done sometime in 2013?</p>	<p>In accordance with section 2.4 SUBMISSION OF SUPPORTING DOCUMENTS FOR PROVISIONALLY SELECTED APPLICATIONS of the GfA, Applicants are required to submit annual financial reports of entrepreneurs form (GFI POD) for the fiscal year prior to date of grant application (full application) in order to demonstrate profit after taxation.</p> <p>The requirement refers to the last complete fiscal year prior to the submission of the Full Application Form. As the deadline for submission of Full Application Forms is 31 December 2012, the last complete fiscal year prior to that is 2011. Consequently the annual financial reports form should be provided providing data for the 2011 fiscal year.</p>
19.	<p>According to Guidelines for grant applicants (2.4. Submission of supporting documents for provisionally selected applicants) the Applicant must supply the following documents: Copy of the applicant's latest accounts (the profit and loss account and the balance sheet for the previous financial year for which the accounts have been closed). Since the year 2012 is the year in which the applications must be submitted, but verification of the applicants and partners should be in 2013 does the requested documents refers to the fiscal year 2011 or to the fiscal year 2012?</p>	<p>Furthermore, in accordance with the same section of the GfA, applicants are required to submit a copy of their latest accounts (the profit and loss account and the balance sheet for the previous financial year for which the accounts have been closed).</p> <p>In accordance with the Corporate Income Tax Law (Official Gazette no. 177/04 and amendments), the deadline for filing income tax returns is four months after the end of the period for which the corporate income tax is assessed, i.e. the deadline is April 30th. Taking this into consideration, if the request for submission of supporting documents for provisionally selected applications is before this date, the Applicants will be required to submit a copy of their</p>
20.	<p>In fiscal year 2012 „XY“company made a structural changes (as a strategic</p>	

	QUESTIONS	ANSWERS
	decision we which will be reflected on the financial result - a loss after taxation. On the other side the fiscal year 2011 is finished with profit after taxation. The amount of the profit in 2011 is double bigger than expected loss in 2012 and will be used to cover this loss. In other words the company should continue to work without any problems (liquidity and solvency which will be demonstrated in Bon Plus document). Taking into account mentioned situation are we still eligible to participate in this Call for proposals?	accounts (the profit and loss account and the balance sheet) for 2011. However, if the request for submission of supporting documents for provisionally selected applications is after this date, the Applicants will be required to submit a copy of their accounts (the profit and loss account and the balance sheet) for 2012. Additionally, in accordance with 2.2.4 of the GfA please note that in the interest of equal treatment of applicants, the CA cannot give prior opinion on the eligibility of an applicant, a partner, an action or specific activities.
21.	Regarding the Business plan template is there any prescribed or recommended templates for financial projections or we can use proposals prescribed with the Accounting Law (Official Gazette no. 109/07) and Regulation of the structure and content of the annual financial statements (Official Gazette No. 38/08, 12/09 and 130/10)?	There are no prescribed templates which need be used for the financial projections. The applicants are free to prepare this data in the format they consider most appropriate, provided that it is transparent and that it contains all relevant information.
22.	Which rules are applicable in public procurement process?	The procurement by grant beneficiaries is performed in line with procurement rules set out in Annex IV of the standard grant contract (Procurement by grant Beneficiaries in the context of European Union external actions).
23.	In section 2.6. Cost effectiveness of the business plan template, there are no questions. Should we leave this section blank or write in a text? What should we write there?	Section 2.6 of the Business plan template refers to Annex III Budget of the grant contract. The applicant is requested to duly complete the Annex III and to provide the description of the cost effectiveness in the Business plan.
24.	Under section 3.3.3. Resources in the application form, there is a section with a table where it is asked about the "name of approved auditors" of the applicant's accounts over the past 3 years. What should be written if the company did not have an external (nor internal) auditor?	In that case please insert N/A.
25.	In section 2.5. Financial projections of the business plan template, it is indicated that cash flow projections must include VAT. There are no VAT expenses during project implementation, and usual practise are financial projections without VAT. Can VAT be excluded in cash flow projections?	As the section clearly establishes projections are to be made for a period of up to minimum 3 years <u>after the estimated completion of project implementation</u> (therefore, not related to the presentation of costs without VAT during the project implementation) VAT must be included in the financial projections.
26.	Will it be necessary to found a steering committee during the implementation of our Action?	No such requirement is established in the Call for Proposals. However, please note the applicant, in the Declaration by the Applicant to be submitted to the CFCA, declares to comply with the obligations foreseen in the partnership statement of the grant application form and with the principles of good partnership practice and to be directly responsible for the preparation, management and implementation of the action with its partners, if any, and not to act as an intermediary. The applicant and his partner/s are recommended to further arrange and define their mutual rights and obligations, at their own discretion, and in line with the provisions of the contract signed with the Contracting Authority/CFCA.
27.	VAT is not eligible cost, yet the applicant has to bear it, does this cost count within the budget i.e. is that cost going to be considered as applicants' financial contribution?	No, VAT costs cannot be considered applicant's financial contribution. Please note that in accordance with Annex J of this Call, The European Commission and the

	QUESTIONS	ANSWERS
		Republic of Croatia have agreed to fully exonerate the following taxes: VAT for services rendered, goods supplied and/or works executed by them under EC contracts. Thus, grant beneficiaries are not required to pay VAT on any goods, services or works procured through the implementation of the grant project.
28.	If, under the Project we purchase a certain machine, can the insurance for that machine during this project be considered as eligible cost?	Costs related to purchase of equipment and supplies included in the offer by the tenderer in line with tender documentation, such as the supply and/or delivery, and/or unloading, and/or installation, and/or commissioning, and/or maintenance, and/or after-sales service (commercial warranty, response time, availability of spare parts and similar), specifically for the purposes of the Action, provided they correspond to market rates, are considered eligible.
29.	Does subsidised interests by some authorities/institutions of Republic of Croatia and/or grants from EBRD consider as “de-minimis” aid.	<p>In accordance with the Government Decree on “de-minimis” rules (Official Gazette, 45/2007) the Institution providing the financial support is required to inform the beneficiary that the support is de-minimis aid, as well as the Croatian Competition Agency.</p> <p>If the Institution which provided the aid did not inform you regarding the type of aid provided, you should first contact the institution to confirm which category of aid was provided.</p> <p>For information concerning de-minimis aid please consult the Government Decree on “de-minimis” rules (Official Gazette, 45/2007) and the Croatian Competition Agency as the competent body.</p>
30.	How long after the project end must the equipment be kept under the ownership of the beneficiary?	<p>The results of the projects should be maintained in line with section 2.2.4. Sustainability of the action of the Full Application Form.</p> <p>Furthermore, please note the applicant has the right to transfer of ownership of the assets, to a (Local) Partner or a Final beneficiary of the Action (Annex IX under this Call for Proposals). After the transfer, there are no legal provisions to prevent the new owners from selling the goods.</p>
31.	Reading from the GfA, page 15: The full application for, budget and logical framework must also be supplied in electronic format (CD-Rom) in a separate and unique file (e.g. the full application form must not be split into several different files). Does this mean that the full application form, budget and logical framework must all be placed together in one unique, say pdf file – i.e. form single electronic document?	Please note that there is no specific requirement for the documents to be submitted in the pdf format. The instructions from the GfA refer to the fact that required documentation in electronic format should be prepared in clear and transparent way, in order to ensure easier and efficient examination of the submitted documentation. Therefore, it is recommended to save all required documentation in a separate electronic folder on a CD-Rom.
32.	Please confirm that the supporting documents do not need to be sent with the full application form but only if the applicant is provisionally selected after the evaluation of the full application form.	It is hereby confirmed the eligibility verification, based on the supporting documents requested by the Contracting Authority (Section 2.4 of GfA) will only be performed for the applications that have been provisionally selected according to their score and within the available financial envelope. Therefore, the requested supporting documents are to be submitted only during Step 3 of the evaluation procedure.
33.	In what cases do we need the letter of intent from a bank? Is it only in the cases when the applicant's co-financing is to be supported by a bank credit?	The letter of intent from a bank is mandatory from all Applicants which are provisionally selected following step 2, and are requested to submit supporting documents.

	QUESTIONS	ANSWERS
		It is important to note that this is not a bank guarantee, but only a letter of intent which proves to the CFCA that the applicant has discussed the project with his/her bank, and that the bank will be prepared to provide a line of credit or loan if the need arises.