

Support for Increasing the Competitiveness of Croatian SMEs

IPA IIIc

Questions and Answers

EuropeAid/132357/M/ACT/HR

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 #3

Date: **9 March 2012**

NOTE: The decision concerning eligibility of an applicant, a partner, an action or specific activities will be brought by the Evaluation Committee during the process of Evaluation of applications (subject to approval of the CFCA and ex-ante control of EU Delegation).

NOTE: Owing to the fact some of the questions submitted to the Contracting Authority are rather lengthy and 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 procedure for EU external actions

no.	QUESTIONS	ANSWERS
140	Referring to the latest corrigendum for the call support-for-increasing-the-competitiveness-of-croatian-smes, the last two dates mentioned seem to be in 2013 and not in 2012 as is stated in the corrigendum.	That is correct; there is a typing mistake in section 2.5.2 <i>Indicative time table</i> of Corrigendum no. 2. The last two rows, provisional dates for “Notification after award” and “Contract signature” should both state February 2013.
141	Reading from Corrigendum no 2, I have detected the following logical inaccuracy: contract signature is scheduled for February	In relation to your observation, please refer to A 140. In accordance with the Government Decree on “de-minimis” rules (Official Gazette, 45/2007), <i>the relevant period of three years</i>

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	<p>2012 (it should obviously read February 2013). I would not normally react to such a minor mistake, but there is another problem: since you pushed the contract signature deadline to 2013, this effectively means that de minimis criteria should change as well. Namely, the original criteria read that de minimis criteria apply to the years 2010, 2011, 2012; however, since the contract will have now been signed in 2013, does this mean that the criteria will change to incorporate 2013, thus from now on will apply to 2011, 2012, 2013?</p>	<p><i>should be assessed on a rolling basis so that, for each new grant of de minimis aid, the total amount of de minimis aid granted in the fiscal year concerned, as well as during the previous two fiscal years, needs to be determined. De minimis aid should be considered to be granted at the moment the legal right to receive the aid is conferred on the undertaking under the applicable national legal regime.</i></p> <p>According to the current Indicative Time Table (GfA 2.5.2) Statement by the applicant declaring the type and the amount of “de-minimis” will be requested at the end of 2012, and will therefore refer to years 2010, 2011 and 2012. In addition, article 2.4 of the GfA which provides the list of supporting documents when referring to the a/m statement says the following: "Statement by the applicant declaring the type and the amount of “de-minimis” aid received during three fiscal years (2010, 2011, 2012 - <u>until receipt of request for submission of supporting documents by the CFCA</u>), certified by a notary.</p> <p>Please also note that the Timetable (GfA 2.5.2) is only indicative and it is possible that the contracts will be signed ahead of schedule, in 2012.</p>
142	<p>Are the concept notes sent before the 2nd Corrigendum was issued valid since the front page has been changed?</p>	<p>Yes. Please note that Applicants are not required to submit new Concept Notes as a result of the extended deadline for submission. All Concept Notes received prior to the deadline will be valid.</p> <p>However, if deemed necessary Applicants may alter or withdraw their Concept Notes by written notification prior to the new deadline for submission of Concept Notes, i.e. 20 March 2012. No Concept Notes may be altered after this deadline.</p> <p>Any such notification of alteration or withdrawal shall be prepared and submitted in line with applicable instructions for submission of Concept note (i.e. point 2.2.2 of the GfA and published corrigenda) prior to the deadline for submission of Concept Notes.</p> <p>The envelope must be marked 'Alteration' or 'Withdrawal' as appropriate.</p>
143	<p>Are registered family farms (OPG) eligible applicants?</p>	<p>Please note that the SME Encouragement Act (Official Gazette, 29/02), and Article 1 and 2 of the Law on Amendments to the SME Encouragement Act (Official Gazette, 63/07), provides the relevant definition of eligible small and medium enterprises for the purpose of this grant scheme.</p> <p>Therefore, it is important to carefully read the relevant laws in order to make an informed decision regarding the eligibility of your company.</p> <p>In accordance with section 2.2.4 <i>Further information for Concept Notes</i> of the GfA “In the interest of equal treatment of applicants, the Contracting Authority cannot give prior opinion</p>

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		on the eligibility of an applicant, a partner, an action or specific activities.”
144	In the Concept Note, Paragraph 1., subparagraph 1.1 “Summary of the action” under “Amount of requested EU contribution” is it necessary to fill in the total amount of investment, just the amount we suppose that is going to be awarded by SAFU (min 50% and max 80% of the total eligible expense – and if so, how are we going to know which percentage to use) or both?	In accordance with section 2.2.1 <i>Concept Note content</i> of the GfA, “In the Concept note, the applicants must only provide an estimate of the amount of contribution requested from the Contracting Authority.” Namely, the in the Concept Note the Applicant only states the value of the requested grant, and not the overall value of the project. It is up to applicant to decide on the percentage of requested financing. Applicants are free to choose any rate of financing as long as they remain within the required minimum of 50% and maximum of 85%, while also assuring that the amount requested from the CA remains within the defined minimum of EUR 50.000 and maximum of EUR 200.000. (See answer 20, Q&A #1)
145	Reading from the page 20/25 from the Guidelines for Applicants, the evaluation table 3.4: Is the partners' level of involvement and participation in the action satisfactory?; the table implies that 5 points will be given if shown that the partnership meets all the important criteria. However, some applicants will not have partners as they do not necessarily logically fit in the project. Does this mean these applicants without partners will lose the 5 points during the evaluation of the full application? Also, in comparison with the applicants having partners, how will they be evaluated?	According to the GfA, “Each subsection will be given a score between 1 and 5 in accordance with the following guidelines: 1 = very poor; 2 = poor; 3 = adequate; 4 = good; 5 = very good.” Inclusion of a partner in the project will not necessarily result in maximum points for this subsection; the Evaluation committee will take into consideration the partner’s role, level of involvement and participation, and assign a score based on all these factors.
146	Is there any restriction on the minimum number of employees in a limited liability company that wishes to apply for a grant?	Please note that the SME Encouragement Act (Official Gazette, 29/02), and Article 1 and 2 of the Law on Amendments to the SME Encouragement Act (Official Gazette, 63/07), provides the relevant definition of eligible small and medium enterprises for the purpose of this grant scheme. The primary criteria according to this definition relate to: Maximum number of employees, maximum annual turnover and independence in operations. Therefore, you are advised to carefully read the relevant laws. Please note that the number of employees might also have relevance when the financial and operational capacity of the applicant will be evaluated - in the second step of the evaluation procedure (please see Evaluation Grid in GfA (2) STEP 2: EVALUATION OF THE FULL APPLICATION.

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147	<p>Since our contract would be bigger than 100.000 euro, we should have an "external audit" (can you please confirm this?), but inside the budget table there is no place where to put it. Does this mean that we cannot include this cost or have you forgotten to put it? What is the maximum amount we can put for this?</p>	<p>In accordance with article 15.6 of the General Conditions an expenditure verification is required for any final report in the case of a grant of more than EUR 100 000. The cost of the expenditure verification should be placed in budget line 5.3 <i>Expenditure verification</i>. There is no prescribed maximum cost for expenditure verifications; however the cost should be in accordance with standard market prices for such services.</p>
148	<p>When calculating personnel expenses per diem should we always take these amounts (i.e. 246 eur/ diem for Croatia), as stated in this table (http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/documents/perdiems_update_12_2011.pdf), or should we calculate the real expenses?</p>	<p>In accordance with article 14.2 of the General Conditions travel and subsistence costs for staff and other persons taking part in the Action are eligible, provided they <u>do not exceed those normally borne by the Beneficiary or its partners</u>, as the case may be.</p> <p>Any reimbursement of the subsistence costs must not exceed the rates set out in the published daily allowance rates at the time of signing the Contract, but it may be lower.</p> <p>Per diems can be applicable for travel within Croatia, as well as abroad, provided the travel is necessary for implementation of the project activities, and that the overnight stays are most efficient solution.</p>
149	<p>Do per diem amounts cover also the travel expenses within Croatia?</p>	<p>Per diems cover accommodation, meals, local travel within the place of mission and sundry expenses in Croatia and abroad. Costs of travel to and from the location of activities outside the normal place of project implementation (e.g. study tour) can be budgeted separately under heading 2. <i>Travel</i> of the budget.</p>
150	<p>Under heading 5.4 Evaluation costs of the budget, can we put this: Publishing of tender for supply more between 60.000 - 150 000 euro in the Official Journal?</p>	<p>Budget line 5.4 <i>Evaluation costs</i> refers to costs related to evaluations of the project itself. Costs of publishing tender documentation, e.g. summary procurement notice, can be placed under budget line 5.9, or under budget heading 6. <i>Other</i>.</p>
151	<p>Also are the members of the evaluation committee paid by us for that job? Is it possible to include in this cost also food and drinks for them?</p>	<p>In case the staff of the beneficiary and the partners do not have the capacity to carry out the evaluation, external experts can be hired for this purpose. Even if this activity is subcontracted, the Beneficiary alone shall be accountable to the Contracting Authority for the implementation of the Action (Article 1.3 of the General Conditions), including compliance with procurement rules laid out in Annex IV,</p> <p>In accordance with article 14.2 of the General Conditions, costs incurred must be necessary for the implementation of the Action.</p>

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152	<p>Does the quoting of the Partner in an action mean a business relation with the Partner that cannot be terminated? And, if termination of the co-operation occurs, who is the owner the newly purchased technology for which the grant has been approved? Is this regulated by the programme itself or it should be regulated by business contracts between the Applicant and the Partner?</p>	<p>The Applicant must bear in mind that, in accordance with article 9.3 of the General Conditions, changes of the contract may not have an effect so as to call into question the grant award decision or be contrary to the equal treatment of applicants. In case such a situation occurs, the Applicant must immediately inform the Contracting Authority.</p> <p>The programme does not regulate the interactions or responsibilities of the partners in a project, thus 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.</p> <p>No action by the applicant must go against the provisions of the contract signed with the Contracting Authority/CFCA).</p> <p>Partnerships are regulated through the relevant documents that are signed by partners within this CfP. All partners must sign the partnership statement. One of the provisions of that statement states the following:</p> <p>"Proposals for substantial changes to the action (e.g. activities, partners, etc.) should be agreed by the partners before being submitted to the Contracting Authority. Where no such agreement can be reached, the applicant must indicate this when submitting changes for approval to the Contracting Authority."</p> <p>The equipment bought through the CfP must be necessary for the implementation of the action. Depending on who will carry out which activity, it can be procured for the Beneficiary or one or more partners and this is to be pre-defined in the "Description of the action" which then becomes part of the contract.</p>
153	<p>The balance that must be financed from the applicant's or partner's own resources is 15%-50% of total cost of the action. Must this balance be available in money or can it also be in material goods (machines, tools, ...) or it can be recognized in human resources as well, i.e. funds intended for different measurings in laboratories and stations for testings all around the world are already reserved, although not in the form of the money but through the exchange of intellectual services or compensations, but the price of such exchanges is still measurable.</p> <p>Furthermore, 20% of the export price of our product is implemented, through the agreement with distributors, into</p>	<p>Section 2.1.4 <i>Eligibility of costs: costs which may be taken into consideration for the grant of the GfA</i> states that "Contributions in kind are not considered actual expenditure and are not eligible costs. The contributions in kind may not be treated as co-financing by the Beneficiary."</p> <p>Further, for cost to be eligible they must be incurred during the implementation period and must be necessary for the implementation of the action. Also, the costs must be supported by documents (invoices, receipts, bank statements, etc.) documenting the costs and payments.</p> <p>Funds (Applicant's co-financing) do not need to be available prior to the start of project implementation, but rather, all eligible costs are co-financed in the % determined by the contract.</p>

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	activities for stimulation of the sales. Can this be valued as “ensured funds” and in which phase of the implementation of the action is the money must be available? Before the grant from the Programme is allocated?	
154	I'm interested whether the supporting documents which will need to be submitted (e.g. profit and loss account and the balance sheet, BON PLUS, statutes or articles of association of the applicant organisation, statements from FINA) need to be translated to English or are they valid in Croatian.	In line with point 2.4 of GfA, translation of supporting evidences into the language of the procedure (i.e. English language) is mandatory only in case of languages other than Croatian/one of the official languages of the European Union . Consequently, supporting evidences furnished in Croatian do not require English translation.
155	If an applicant who has successfully used funds from this competition (IPA IIIC) apply one to any of Structural funds in the future (once we enter EU), does it mean that he will be restricted according to “de minimis” rule.	If the financial support which the successful applicant applies for through structural funds is de-minimis support, then the eligibility of the applicant will also be governed by the Government Decree on “de-minimis” rules (Official Gazette, 45/2007). Namely, the total de-minimis aid granted to any single undertaking shall not exceed EUR 200.000 over any period of three fiscal years. The grant received under this CfP under IPA Comp IIIC will be considered "de minimis" aid
156	Is there a possibility of reducing the corporate income tax base for the grants received under the special law in Croatia?	NO. The Applicant is required to record received grant funds as income in accordance with applicable national Accounting Law.
157	If one of the project activities foresees the purchase and installation of solar panels, is it possible as part of the project to conclude a contract with HEP and become eligible producer of electricity (i.e. to sell produced electricity to HEP) or must the electricity produced with the solar panels be used exclusively to meet our own needs in production and business?	In accordance with 2.2.4 of the Guidelines for Grant Applicants “In the interest of equal treatment of applicants, the Contracting Authority cannot give a prior opinion on the eligibility of an applicant, a partner, an action or specific activities.” In the course of evaluation, eligibility of project activities will be assessed by the Evaluation Committee in line with published criteria in the GfA. However, we refer you to section 2.1.3 <i>Eligible Actions: actions for which an application may be made</i> of the GfA which states the types of actions and activities that are eligible for financing through this grant scheme. It is important to note that only actions and activities in the listed sectors are eligible for financing.