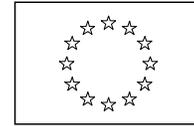




The Republic of Croatia
Ministry of Finance
Central Finance and Contract Unit (CFCU)
and
Ministry of Sea, Tourism, Transport and
Development



European Commission

Phare 2005: Business-related infrastructure Grant Scheme

Economic and Social Cohesion

Guidelines
for grant applicants
responding to the call for proposals
for year 2006
Open Call for Proposal

Budget line: Croatia 2005 Phare National Programme

Reference: **HR2005/8/1**

Deadline for receipt of applications: 6 February 2007

NOTICE

In February 2006, the European Commission published the new Practical Guide to contract procedures for EC external actions (PRAG). In that respect, some rules and procedures guiding the grant award process have changed (compared to the previous version of PRAG).

In line with the new rules;

The evaluation of your application will only be performed if your concept note is provisionally selected. Your application will then undergo the evaluation. The eligibility conformity check will only be performed for the proposals that have been provisionally selected according to the score obtained after the final evaluation, on the basis of the supporting documents which will be requested by the Central Finance and Contracting Unit of the Ministry of Finance and the Declaration by the applicant signed and sent together with the application

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1. THE BUSINESS-RELATED INFRASTRUCTURE GRANT SCHEME

1.1 BACKGROUND

Croatia received EU candidate status in June 2004. From 2005, Croatia will participate in the EU's pre-accession instruments, PHARE, ISPA and SAPARD. Under the Phare 2005 Programme, Croatia will have access to Economic and Social Cohesion (ESC) support for the first time and will need to operate grant schemes for ESC investment. Phare ESC is expected to be used selectively to pilot test the kind of programmes that are going to be implemented with Structural Funds after Croatia's accession to the European Union

Other than Malta and Cyprus, the EU-10 had significant experience of the operation of ESC Grant Schemes to help develop the necessary systems and initial capacity. Bulgaria and Romania have also significant experience of the management of ESC grant schemes. Croatia has only received access to ESC investment funds in 2005, but will have access to the IPA in 2007 and the SF/CF upon its accession to the EU. Croatia is thus likely to be disadvantaged by lack of experience unless the pilot testing of the systems and structures for grant scheme management commences immediately.

The primary purpose of the investments under ESC are therefore to develop the capacity of regional and local actors, as well as other relevant partners, to prepare and implement projects of the type that will in future be financed by EU Structural Funds. The Government will, at the same time, develop the capacity to ensure that project selection and decision-making is managed within a framework established on the basis of transparency, efficiency and reliability.

The actual investment in business-related infrastructure is therefore considered, while still important, to be of secondary importance compared to the gaining of experience and skills in the preparation and implementation of the type of schemes that will in future be financed by EU Structural Funds.

1.2 OBJECTIVES OF THE PROGRAMME AND PRIORITY ISSUES FOR 2006

The objective of the business-related infrastructure scheme is to improve Croatia's business-related infrastructure thus contributing to regional development. While the scheme is open to all eligible applicants (see 2.1.1) throughout Croatia preference in terms of weighting (see 2.3) will be given to projects likely to benefit SMEs and/or projects located within the assisted areas according to the Law on Areas of Special State Concern¹, the Law on Hilly and Mountainous Areas² and on a Group 1 (Undeveloped or insufficiently developed) island according to the Law on Islands³. Preference in terms of co-financing (see 1.3) will be given to projects located within the aforementioned assisted areas.

The priorities for 2006 are:

- Modernisation/extension of infrastructure essential to business development (e.g. access roads to tourism sites, business incubators, industrial zones, etc)
- Development of existing business incubators, business centres, industrial parks, etc.
- Development of communal infrastructure related to tourism (water, wastewater, electricity, social and cultural centres, etc development in areas of high tourism potential whose potential is adversely effected by poor infrastructure)

¹ O.G./N.N. no. 42/05, 90/05

² O.G./N.N. no. 12/02., 32/02., 117/03., 42/05., 90/05

³ O.G./N.N. no. 34/99., 32/02., 33/06

- Development of tourist infrastructure (e.g. tourism information centres, protection of cultural heritage sites with a high tourism potential, development of sporting and cultural infrastructure primarily aimed at tourism development, tourism signposting, etc.)
- Development of the infrastructural base for research, technology and innovation for business (including testing laboratories, cluster-based R&D facilities and training institutions, etc.)
- Development of multi-user Information and Communications Technology infrastructure (for example, public internet access points in smaller communities)
- Training and technical assistance to maximise the effective use of the new infrastructure and ensure, where feasible, that the long-term sustainability is achieved.

For all projects it will be of importance to demonstrate contribution to the goals of the Lisbon agenda, i.e. to contribute to enhancement of economic growth, employment, R&D and ICT technology.

1.3 FINANCIAL ALLOCATION PROVIDED BY THE CENTRAL FINANCE AND CONTRACTING UNIT

The overall indicative amount made available under this call for proposals is EUR 4,970,000 .

The Central Finance and Contracting Unit (CFCU) of the Ministry of Finance reserves the right not to award all available funds.

Size of grants

Any grant awarded under this programme must fall between the following minimum and maximum amounts:

- minimum amount: EUR 500,000
- maximum amount: EUR 1,000,000

The term “grant amount” refers only to allocation provided from the Phare fund.

In addition, no grant may exceed certain percentage of the total eligible costs of the action, as described in further text (see also section 2.1.4). The balance must be financed from the applicant's or partners' own resources or from sources other than the European Community budget or the European Development Fund (i.e. contributions from national, regional, local, municipal authorities, FIs' loans to public entities, and funds from public enterprises).

Projects located within assisted areas according to the Law on Areas of Special State Concern⁴, the Law on Hilly and Mountainous Areas⁵ and on a Group 1 (Undeveloped or insufficiently developed) island according to the Law on Islands⁶ will be eligible for a maximum grant of 75% of the total eligible costs of the action.

Projects located in Croatia, but outside the assisted areas mentioned above, will be eligible for a maximum grant of 65% of the total eligible costs of the action.

In case that a project is located in more than one local self government unit, and at the same time covers local self government units outside and inside assisted areas mentioned above, majority of actions should take place within the assisted area in order to qualify for a maximum grant of 75%. This should be clearly explained in the Grant Application Form, paragraph 1.6. Justification.

⁴ O.G./N.N. no. 42/05, 90/05

⁵ O.G./N.N. no. 12/02., 32/02., 117/03., 42/05., 90/05

⁶ O.G./N.N. no. 34/99., 32/02., 33/06.

2. RULES OF THIS CALL FOR PROPOSALS

These guidelines set out the rules for the submission, selection and implementation of actions financed under this call, in conformity with the provisions of the Practical Guide (available on the Internet at this address: http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm - version 22/08/2006 applies to these Guidelines for applicants).

2.1 ELIGIBILITY CRITERIA

There are three sets of eligibility criteria, relating to:

- organisations which may request a grant (2.1.1), and their partners (2.1.2),
- actions for which a grant may be awarded (2.1.3),
- types of cost which may be taken into account in setting the amount of the grant (2.1.4).

2.1.1 <i>Eligibility of applicants: who may apply</i>

(1) In order to be eligible for a grant, applicants **must**:

- be legal persons **and**
- be non profit making **and**
- be a regional or local self-government unit, **or** regional/local-owned public institution, company or association; **or** a regional/ local tourism board **and**
- be nationals⁷ of Croatia, EU member states, or Albania, Bosnia and Herzegovina, Bulgaria, The former Yugoslav Republic of Macedonia, Romania, Serbia, Montenegro and Turkey; **and**
- be directly responsible for the preparation and management of the action with their partners, not acting as an intermediary.

(2) Potential applicants may not participate in calls for proposals or be awarded grants if:

- (a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (b) they have been convicted of an offence concerning professional conduct by a judgement which has the force of *res judicata* (i.e., against which no appeal is possible);
- (c) they are guilty of grave professional misconduct proven by any means which the CFCU can justify;
- (d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the Contracting Authority (where it is not the Commission) or those of the country where the action is to take place;
- (e) they have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;

⁷ Such nationality being determined on the basis of the organisation's statutes which should demonstrate that it has been established by an instrument governed by the internal law of the country concerned. In this respect, any legal entity whose statutes have been established in another country cannot be considered an eligible local organisation, even if they are registered locally or accompanied by a "Memorandum of Understanding".

- (f) they have been declared to be in serious breach of contract for failure to comply with their contractual obligations in connection with a procurement procedure or other grant award procedure financed by the Community budget.

Applicants are also excluded from participation in calls for proposals or the award of grants if, at the time of the call for proposals, they:

- (g) are subject to a conflict of interests;
- (h) are guilty of misrepresentation in supplying the information required by the CFCU as a condition of participation in the call for proposals or fail to supply this information
- (i) have attempted to obtain confidential information or influence the evaluation committee or the CFCU during the evaluation process of current or previous calls for proposals.

In the cases referred to in points (a), (c), (d), (f), (h) and (i) above, the exclusion applies for a period of two years from the time when the infringement is established. In the cases referred to in points (b) and (e), the exclusion applies for a period of four years from the date of notification of the judgment.

In part VI of the grant application form (“Declaration by the applicant”), applicants must declare that they do not fall into any of the above categories (a) to (f).

2.1.2 Partnerships and eligibility of partners

Applicants may act individually or with partner organisations.

Partners

Applicants’ partners participate in implementing the action, and the costs they incur are eligible in the same way as those incurred by the grant Beneficiary. They must therefore satisfy the same eligibility criteria as applicants.

The following are not partners and do not have to sign the “partnership statement”

Associates

Other organisations may be involved in the action. Such associates play a real role in the action but may not receive funding from the grant with the exception of per diem or travel costs. Associates do not have to meet the eligibility criteria referred to in section 2.1.1. The associates have to be mentioned in part IV - “Associates of the Applicant participating in the Action” of the Grant Application Form.

Subcontractors

The grant beneficiaries have the possibility to award contracts to subcontractors in cases of procurement done by grant recipient. Subcontractors are neither partners nor associates, and are subject to the procurement rules set out in Annex IV to the standard grant contract.

The applicant will act as the lead organisation and, if selected, as the contracting party (the "Beneficiary").

2.1.3 Eligible actions: actions for which an application may be made

Definition: An action (or project) is composed of a set of activities.

Duration

The planned duration of an action may not exceed 14 months. “Action” refers to the whole project proposed.

Sectors or themes

The support only relates to the provision of business-related infrastructure.

Location

Actions must take place in Croatia.

The scheme would be open to eligible applicants, but weighting and co-financing is expected to ensure a high level of precedence for projects within the assisted areas in Croatia according to the Law on Areas of Special State Concern, the Law on Hilly and Mountainous Areas and on a Group 1 (Undeveloped or insufficiently developed) island according to the Law on Islands.

Types of action

The following actions are possible under the scheme with respect to the specified priority areas (see 1.2):

- The construction, renewal⁸, or expansion (material enhancement) of infrastructure in one of the areas of priority (see section 1.2) which comply with applicable national and local government laws and are consistent with planning practices and guidelines of Croatia⁹. This may comprise or include the following sub-actions:
 - Site improvements: Site improvement costs are acceptable when necessary for the construction, renewal, or expansion (material enhancement) of infrastructure. The building should be on previously used land (derelict, under-used, brownfield) rather than green space. The use of plants and trees (phytoremediation) to remediate soil and water contamination should be considered;
 - Demolition of unwanted structures from the site when necessary for the construction, renewal, or expansion (material enhancement) of infrastructure;
 - Landscaping to the minimum local government standard: Local environmental features – wildlife, water, surrounding buildings – should be sympathetically considered in the design. Landscaping should incorporate native plants;
 - Fencing to the minimum local government standard;
 - Signage to the minimum local government standard or as required by the contract;
 - Electrical service provision to the site;
 - Sanitary and storm sewer service provision to the site;
 - Water services provision to the site;
 - Curbs and gutter construction to local government standards;
 - Pavement construction to local government standards;
 - Access roads provision to local government standards: Road improvements should incorporate native planting schemes and should not impede wildlife corridors;
 - Security system provision: Natural barriers should be used to design out and deter crime. Security equipment should be energy efficient and/or use renewable energy;
 - Environmentally-friendly actions:
 - Building services plant minimisation by using, for example, passive solar heating and solar water heating.
 - Grey water and/or rainwater re-utilisation.

⁸ Renewal means renovation or replacement, excluding routine maintenance and repair.

⁹ Buildings should be of a high quality design, which makes a positive contribution to the local environment with interior space designed to allow for greatest flexibility in uses to extend design life.

- Incorporation of sustainable urban drainage systems (SUDS).
- Incorporation of renewable energy sources e.g. photo-voltaic cells, wind turbine.
- Combined Heat and Power schemes utilisation.
- Timber utilisation from a local sustainably managed source and/or accredited by the Pan European Scheme.
- The energy target establishment for the building at between 130-180kWh/m²/per annum.
- Natural ventilation utilisation or, where not possible, utilisation of a sealed low leakage building with mechanical ventilation.
- Recycled or recyclable products utilisation (e.g. aggregates).
- Insulation materials should not contain or have required the use of ozone depleting substances during their manufacture.
- Environmental management systems should be part of the management of all infrastructure sites, including recycling, waste, energy and water management.
- Project management (it is important to manage the project with sufficient human resource capacity and with a vision for continuous development and sustainability of results);
- Information dissemination actions demonstrating EU support to the project (e.g. advertising, ground breaking, ribbon cutting, etc.);
- Training and technical assistance to maximise the effective use of the new infrastructure and ensure, where feasible, that the long-term sustainability is achieved.

The following types of **action** are **ineligible**:

- actions concerned only or mainly with individual sponsorships for participation in workshops, seminars, conferences, congresses;
- actions concerned only or mainly with individual scholarships for studies or training courses;
- infrastructure construction which might damage Sites of Special Scientific Interest and Natura 2000 sites, National Parks or other areas protected by Government legislation;
- feasibility and planning studies for the construction, renewal, or expansion (material enhancement) of infrastructure;
- general/periodic maintenance;
- development of new business incubators, business centres, industrial parks, etc.;
- general information campaigns;
- language courses (except for ethnic minorities);
- export aid, when focused on specific enterprises and comprising investment funds. Soft support (e.g. marketing plans, training, etc) can be supported;
- financial instruments;
- "jumbo" legal approximation consortia (used in the past to bring Candidate Countries' legislation in line with the Acquis);
- non-vocational training;
- large revenue-generating investments such as airports, ports, telecommunications (e.g. optical fibre), electricity and gas;
- non business-related infrastructure such as health and education infrastructure.

Number of proposals and grants per applicant

An applicant may submit more than 1 proposal under this call for proposals.

An applicant and partners may not be awarded more than one grant under this call for proposals.

2.1.4 Eligibility of costs: costs which may be taken into consideration for the grant

Only “eligible costs” can be taken into account for a grant. These are detailed below. The budget is therefore both a cost estimate and a ceiling for “eligible costs”. Note that the eligible costs must be based on real unit costs, not lump sums (except for subsistence costs and indirect costs).

Recommendations to award a grant are always subject to the condition that the checking process which precedes the signing of the contract does not reveal problems requiring changes to the budget. The checks may give rise to requests for clarification and may lead the CFCU to impose reductions¹⁰.

It is therefore in the applicant's interest to provide a **realistic and cost-effective budget**.

Eligible direct costs

To be eligible under the call for proposals, costs must:

- be necessary for carrying out the action, be provided for in the contract annexed to these Guidelines and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
- have actually been incurred by the beneficiaries or their partners during the implementing period for the action as defined in Article 2 of the Specific Conditions, whatever the time of actual disbursement by the Beneficiary or a partner; this does not affect the eligibility of costs for preparing the final report and as the case may be, of the final expenditure verification and final evaluation. The costs incurred by the beneficiaries’ associates are not eligible (with the exception of subsistence and/or travel costs)

Are considered to have been incurred during the implementation period of the Action the costs of goods/services/works used/provided/delivered during the implementation period of the Action. The relevant contracts may have been awarded by the Beneficiary or his partners before the implementation period of the Action started, provided the provisions of Annex IV to the contract were respected. Such costs must be paid for before the final report is finalised.

- be recorded in the Beneficiary's or the Beneficiary's partners' accounts or tax documents, be identifiable and verifiable, and be backed up by originals of supporting documents.

Subject to those conditions and where relevant to the contract-award procedures being respected, eligible direct costs borne by the Beneficiary and his partners include:

- the cost of staff assigned to the action, corresponding to actual salaries plus social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiary or his partners, as the case may be, unless it is justified by showing that it is essential to carry out the action;

¹⁰ Please note that possible modifications of the budget may not lead to an increase of the amount of the grant requested from the European Commission nor of the percentage of the co-financing.

- travel and subsistence costs for staff and other persons taking part in the action, provided they do not exceed those normally borne by the Beneficiary or his partners, as the case may be; any flat-rate reimbursement of the subsistence costs must not exceed the rates published by the European Commission at the time of signing the contract (available at following Internet address: http://europa.eu.int/comm/europeaid/perdiem/index_en.htm);
- purchase or rental costs for equipment and supplies (new or used) specifically for the purposes of the Action, and costs of services, provided they correspond to market rates;
- the cost of consumables;
- subcontracting expenditure;
- costs arising directly from the requirements of the contract (dissemination of information, evaluation specific to the action, audit, translation, printing, insurance, etc.) including financial service costs (in particular the cost of transfers and financial guarantees).

Contingency reserve

A contingency reserve not exceeding 5% of the direct eligible costs may be included in the Budget of the Action. It can only be used with the **prior written authorisation** of the CFCU.

Eligible indirect costs (overheads)

A lump sum not exceeding 7% of the total amount of eligible costs of the Action may be claimed as indirect costs to cover the administrative overheads incurred by the Beneficiary for the Action.

Indirect costs are ineligible if the Beneficiary receives in other respects an operating grant from the European Commission.

Contributions in kind

Any contributions in kind made by the Beneficiary or the Beneficiary's partners or any other source, which must be listed in Section I.4 of the application form, do not represent actual expenditure and are not eligible costs. They may not be treated as co-financing by the Beneficiary. The cost of staff assigned to the Action is not a contribution in kind and may be considered as co-financing in the Budget for the Action when paid by the Beneficiary or his partners.

However, the Beneficiary must undertake to make such contributions as stated on the application form if the grant is awarded.

Ineligible costs

The following costs are not eligible:

- debts and provisions for losses or debts;
- interest owed;
- items already financed in another framework;
- purchases of land or buildings, except where necessary for the direct implementation of the action, in which case ownership must be transferred to the final beneficiaries and/or local partners, at the latest by the end of the action;
- currency exchange losses;
- **taxes, including VAT**, unless the Beneficiary (or the Beneficiary's partners) cannot reclaim them and the applicable regulations do not forbid coverage of taxes;
- credits to third parties

2.2 HOW TO APPLY, AND THE PROCEDURES TO FOLLOW

2.2.1 Application form

Applications must be submitted using the application form annexed to these Guidelines (Annex A). This form includes a concept note, which must also be completed. Applicants should keep strictly to the format of the application and fill in the paragraphs and the pages in order.

Applicants must apply in English.

Please complete the application form carefully and as clearly as possible so that it can be assessed properly. The applicant should be precise and provide enough detail to ensure the application is clear, particularly as to how the aims of the action will be achieved, the benefits that will flow from it and the way in which it is relevant to the programme's objectives.

Any error related to the points listed in the Checklist (section V of the grant application) or any major inconsistency in the application form (e.g. the amounts mentioned in the budget are inconsistent with those mentioned in the application form) may lead to the immediate rejection of the proposal.

Clarifications will only be requested when information provided is unclear, thus preventing the CFCU from conducting an objective assessment.

Hand-written applications will not be accepted.

Please note that only the application form and the published annexes (budget, logical framework – according to the section 3. List of annexes: E3c and E3d) which have to be filled in will be transmitted to the evaluators and assessors. It is therefore of utmost importance that these documents contain ALL relevant information concerning the action.

The applicants may send an electronic copy of a Cost Benefit Analysis or Feasibility Study of the proposed project, but this is not a mandatory requirement. The applications submitted without Cost Benefit Analysis or Feasibility Study will not be rejected for that reason. CBA and FS can contribute to technical evaluation of applications. Apart from that, no other supplementary annexes should be sent.

2.2.2 Where and how to send the applications

Applications must be received in a sealed envelope by registered mail, private courier service or by hand-delivery (a signed and dated certificate of receipt will be given to the deliverer) at the address below:

Postal address

Republika Hrvatska, Ministarstvo financija
Uprava za financiranje programa i projekata
pomoći EU – SJFU (CFCU)
Katančičeva 5
10 000 Zagreb
Hrvatska

Address for hand delivery or by private courier service

Republika Hrvatska, Ministarstvo financija
Uprava za financiranje programa i projekata
pomoći EU – SJFU (CFCU)
Katančičeva 5
10 000 Zagreb
Hrvatska

Applications sent by any other means (e.g. by fax or by e-mail) or delivered to other addresses will be rejected.

Applications (concept note, full application form, budget, logical framework) must be submitted in one original and (3) three copies. The complete concept note, application form, budget and logical framework must also be supplied in electronic format (floppy disc or CD-Rom). The electronic format must contain exactly the same proposal as the paper version enclosed. Each component of the application (concept note, application form, budget and logical framework) must be submitted in a separate and unique electronic file (for ex. the application form must not be split into several different files).

The Checklist (Section V of the grant application form) and the Declaration by the applicant (Section VI of the grant application form) must be stapled separately and enclosed in the envelope.

So as to facilitate the processing of applications, please present the original dossier and the (3) three copies in A4 size, each bound.

Where an applicant sends several different proposals, each one has to be sent separately.

The outer envelope must bear:

- the reference number (HR2005/8/1) **and the title of the call for proposals** (Phare 2005: Business-related infrastructure Grant Scheme),
- the full name and address of the applicant, and
- the words "Not to be opened before the opening session" and "Za nadmetanje - ne otvarati".

Applicants must verify that their application is complete using the checklist (section V of the grant application form). Incomplete applications will be rejected.

2.2.3 *Deadline for receipt of applications*

The deadline for the receipt of applications is 6 February 2007 at 14:00. Any application received after the deadline will automatically be rejected, even if the postmark indicates a date preceding the deadline or if the delay is due to the private courier service.

2.2.4 *Further information*

The date and place of the information session on this call for proposals will be published on the internet at: <http://cfcu.mfin.hr/> (in section: Tender opportunities/ Phare 2005) within 5 days of the launch of this call for proposals.

Questions may be sent by e-mail no later than 21 days before the deadline for the receipt of proposals to the address listed below, indicating clearly the reference of the call for proposals:

E-mail address: grants.cfcu@mfin.hr

Replies will be given no later than 11 days before the deadline for the receipt of proposals.

In the interest of equal treatment of applicants, the CFCU cannot give a prior opinion on the eligibility of an applicant, a partner or an action.

Questions that may be relevant to other applicants, together with the answers, will be published on the internet at <http://cfcu.mfin.hr> (in section: Tender opportunities/ Phare 2005).

2.3 EVALUATION AND SELECTION OF APPLICATIONS

Applications will be examined and evaluated by the CFCU with the possible assistance of external assessors. All actions submitted by applicants will be assessed according to the following steps and criteria:

(1) STEP 1: OPENING SESSION AND ADMINISTRATIVE CHECK

The following will be assessed:

- The deadline has been respected. If the deadline has not been respected the proposal will automatically be rejected (see paragraph 2.2.3).
- The application form satisfies all the criteria mentioned in the Checklist (Section V. of the grant application form). If any of the requested information is missing or is incorrect, the proposal may be rejected on that sole basis and the proposal will not be evaluated further.

Following the opening session and the administrative check, the CFCU will send a letter to all applicants, indicating whether their application was received prior to the deadline, informing them of the reference number they have been allocated, whether their application has satisfied all the criteria mentioned in the checklist and whether their concept note has been recommended for evaluation.¹¹

(2) STEP 2: EVALUATION OF THE CONCEPT NOTE

The concept notes having respected the deadline and satisfied the criteria mentioned in the checklist will undergo an evaluation of the relevance of the action, its methodology and sustainability, as well as of the operational capacity and expertise of the applicant

The concept note will be given an overall score out of 50 as shown in the Evaluation grid below. This first evaluation will lead to a provisional selection. Only those which will have passed this first selection will see their full application assessed.

Please note that the scores awarded to this concept note are completely separate from those given in the next phase.

1. Summary of the action	NO SCORE
2. Relevance	25
<i>2.1 How relevant to the needs and constraints of the target country(ies) or region is the proposal?(5)</i>	
<i>2.2 How appropriately are the problems and the needs identified? (5)</i>	
<i>2.3 How clearly defined and strategically chosen are those involved (final beneficiaries, target groups)?(5)</i>	
<i>2.4 How relevant is the proposal to the objectives and guiding principles of the call for proposals?(5)</i>	
<i>2.5 Does the proposed action have an added value by reference to other interventions? (5)</i>	
3. Methodology and Sustainability	15
<i>3.1 Are the activities proposed appropriate, practical, and consistent with the objectives and expected results? (5)</i>	
<i>3.2 Is the partners' level of involvement and participation in the action satisfactory? (5)</i>	
<i>3.3 Are the expected results of the action likely to have a sustainable impact on the target groups? Will it have multiplier effects? (5)</i>	
4. Operational capacity and expertise.	10
<i>4.1 Does the applicant have sufficient experience in project management? (5)</i>	
<i>4.2 Do the applicant and partners have sufficient technical expertise (notably a knowledge of the questions to be addressed)? (5)</i>	
TOTAL SCORE	50

¹¹ Please note that the length of period between the opening session and the sending of this letter will depend on the number of proposals received

Sub Grids

2. Relevance	25	
2.1 How relevant to the needs and constraints of the target country or region is the proposal?	5	
2.1.1 Is the project located within an assisted area according to the Law on Areas of Special State Concern or the Law on Hilly and Mountainous Areas or on a Group 1 (Undeveloped or insufficiently developed) island according to the Law on Islands? (At least 50% of the proposed investment must be in the assisted area in order to qualify for the maximum score under this heading.)	5	
2.2 How appropriately are the problems and the needs identified?	5	
2.2.1 Is there a detailed and relevant problem analysis?	2	
2.2.2 Has the problem analysis been used to identify the needs of the final beneficiaries?	3	
2.3 How clearly defined and strategically chosen are those involved (final beneficiaries, target groups)?	5	
2.3.1 Is the project likely to bring significant benefits to SMEs?	2	
2.3.2 Are the final beneficiaries located within an assisted area according to the Law on Areas of Special State Concern and the Law on Hilly and Mountainous Areas or on a Group 1 (Undeveloped or insufficiently developed) island according to the Law on Islands? (At least 50% of the final beneficiaries of the project must be located in the assisted area in order to qualify for the maximum score under this heading. "Located" means the site of the regular place of business of the beneficiary or regular place of residence if the final beneficiaries are individuals and not registered enterprises.)	3	
2.4 How relevant is the proposal to the objectives and guiding principles of the call for proposals?	5	
2.4.1 Will the project create or safeguard sustainable employment (direct employment and employment multiplier)?	2	
2.4.2 Will the project support technological and workplace innovation?	1	
2.4.3 Will the project develop essential economic infrastructure?	2	
2.5 Does the proposed action have an added value by reference to other interventions?	5	
2.5.1 Does it address gender equality?	1	
2.5.2. Does it address environmental sustainability?	1	
2.5.3 Is the project likely to lead to reduction of regional disparity?	3	

Please note:

Scoring:

The evaluation criteria are divided into sections and subsections. 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.

Only the applicants who have been given a total average score of minimum 30 points and have submitted the 10-20 best concept notes amounting to twice the available amount for this call for proposals will have their full application forms evaluated.

Following the evaluation of the concept note, the CFCU will send a letter to the applicants whose concept note has been evaluated, indicating the scores obtained for this first part of the evaluation whether their full application form will be evaluated.¹²

(3) STEP 3: EVALUATION OF THE APPLICATION FORM

An evaluation of the quality of the proposals, including the proposed budget, and of the capacity of the applicant and his partners, will be carried out in accordance with the evaluation criteria set out in the Evaluation Grid included below. There are two types of evaluation criteria: selection and award criteria.

The selection criteria are intended to help evaluate the applicants' financial and operational capacity to ensure that they:

- have stable and sufficient sources of finance to maintain their activity throughout the period during which the action is being carried out and, where appropriate, to participate in its funding;
- have the management capacity, professional competencies and qualifications required to successfully complete the proposed action. This also applies to any partners of the applicant.

The award criteria allow the quality of the proposals submitted to be evaluated in relation to the objectives and priorities set, and grants to be awarded to actions which maximise the overall effectiveness of the call for proposals. They enable the selection of proposals which the CFCU can be confident will comply with its objectives and priorities and guarantee the visibility of the Community financing. They cover such aspects as the relevance of the action, its consistency with the objectives of the call for proposals, quality, expected impact, sustainability and cost-effectiveness.

Please note:

Scoring:

The evaluation criteria are divided into sections and subsections. 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.

Note on Section 1. Financial and operational capacity

If the total average score is less than 12 points for section 1, the Evaluation Committee will reject the proposal.

Note on Section 2. Relevance

If the total average score is less than 16 points for section 2, the Evaluation Committee will reject the proposal.

Provisional selection

Following the evaluation, a table listing the proposals ranked according to their score and within the available financial envelope will be established as well as a reserve list following the same criteria.

Note: The scores awarded in this phase are completely separate from those given to the concept note of the same application.

¹² Please note that the length of period between the opening session and the sending of this letter will depend on the number of proposals received

Evaluation Grid

Section	Maximum Score	Application form
1. Financial and operational capacity	20	
1.1 Do the applicant and partners have sufficient experience of project management ?	5	II.4.1 and III.1
1.2 Do the applicant and partners have sufficient technical expertise ? (notably knowledge of the issues to be addressed.)	5	II.4.1 and III.1
1.3 Do the applicant and partners have sufficient management capacity ? (including staff, equipment and ability to handle the budget for the action)?	5	II.4.2 and III.1
1.4 Does the applicant have stable and sufficient sources of finance ?	5	II.4.2
2. Relevance	25	
2.1 How relevant is the proposal to the objectives and one or more of the priorities of the call for proposals? Note: A score of 5 (very good) will only be allocated if the proposal specifically addresses at least one priority . Note: A score of 5 (very good) will only be allocated if the proposal contains specific added-value elements, such as promotion of gender equality and equal opportunities...	5 x 2	I.1.6.1
2.2 How relevant to the particular needs and constraints of the target country/countries or region(s) is the proposal? (including avoidance of duplication and synergy with other EC initiatives.)	5	I.1.6.2
2.3 How clearly defined and strategically chosen are those involved (final beneficiaries, target groups)? Have their needs been clearly defined and does the proposal address them appropriately?	5 x 2	I.1.6.3 and I.1.6.4
3. Methodology	25	
3.1 Are the activities proposed appropriate, practical, and consistent with the objectives and expected results?	5	I.1.7 and I.1.8.5
3.2 How coherent is the overall design of the action? (in particular, does it reflect the analysis of the problems involved, take into account external factors and anticipate an evaluation ?)	5	I.1.8
3.3 Is the partners' level of involvement and participation in the action satisfactory? Note: If there are no partners the score will be 1.	5	I.1.7 and I.1.8.5
3.4 Is the action plan clear and feasible?	5	I.1.9
3.5 Does the proposal contain objectively verifiable indicators for the outcome of the action?	5	Logframe
4. Sustainability	15	
4.1 Is the action likely to have a tangible impact on its target groups?	5	I.2.1
4.2 Is the proposal likely to have multiplier effects ? (including scope for replication and extension of the outcome of the action and dissemination of information.)	5	I.2.2 and I.2.3
4.3 Are the expected results of the proposed action sustainable : - financially (<i>how will the activities be financed after the funding ends?</i>) - institutionally (<i>will structures allowing the activities to continue be in place at the end of the action? Will there be local "ownership" of the results of the action?</i>) - at policy level (where applicable) (<i>what will be the structural impact of the action — e.g. will it lead to improved legislation, codes of conduct, methods, etc?</i>)?	5	I.2.4
5. Budget and cost-effectiveness	15	
5.1 is the ratio between the estimated costs and the expected results satisfactory?	5	I.3
5.2 Is the proposed expenditure necessary for the implementation of the action?	5 x 2	I.3
Maximum total score	100	

The evaluation committee will utilise the following evaluation sub grids to complete the main grid:

1. Financial and operational capability - no sub-grid

2. Relevance	25	
2.1 Relevance to the objectives and one or more of the priorities of the call	10	
2.1.1 Will the project create or safeguard sustainable employment (direct employment and employment multiplier)?	2	
2.1.2 Will the project develop essential economic infrastructure?	2	
2.1.3 Does it address gender equality?	1	
2.1.4 Does it address environmental sustainability?	1	
2.1.5 Is the project likely to lead to reduction of regional disparity?	4	
2.2 Relevance to the needs and constraints of the target country	5	
2.2.1 Is the project located within an assisted area according to the Law on Areas of Special State Concern or the Law on Hilly and Mountainous Areas or on a Group 1 (Undeveloped or insufficiently developed) island according to the Law on Islands? (At least 50% of the proposed investment must be in the assisted area in order to qualify for the maximum score under this heading.)	5	
2.3 How clearly defined are those involved (intermediaries, final beneficiaries, target groups)?	10	
2.3.1 Have the needs of the proposed groups and the final beneficiaries been clearly defined and does the proposal address them appropriately?	2	
2.3.2 Is the project likely to bring significant benefits to SMEs?	4	
2.3.3 Are the final beneficiaries located within an assisted area according to the Law on Areas of Special State Concern and the Law on Hilly and Mountainous Areas or on a Group 1 (Undeveloped or insufficiently developed) island according to the Law on Islands? (At least 50% of the final beneficiaries of the project must be located in the assisted area in order to qualify for the maximum score under this heading. Located means the site of the regular place of business of the beneficiary (or regular place of residence if the final beneficiaries are individuals and not registered enterprises)	4	

Score will be transferred to the main grid.

3. Methodology	25	
3.1 Are the <i>activities</i> proposed appropriate, practical, and consistent with the objectives and expected results?	5	
3.2 How coherent is the overall design of the action? (in particular, does it reflect the analysis of the problems involved, take into account external factors and anticipate an <i>evaluation</i>?)	5	
3.3 Is the <i>partners' level of involvement and participation in the action</i> satisfactory? If no Partners then score as 4.	5	
3.3.1 Is the partnership's role in managing the action clearly defined?	2	
3.3.2 Is the partnership likely to apply in future for SF support?	3	
3.4 Is the Action Plan clear and feasible?	5	
3.4.1 Is the timetable realistic?	3	
3.4.2 Are the required actions clearly described?	2	
3.5 Does the proposal contain <i>objectively verifiable indicators</i> for the outcome of the action?	5	
3.5.1 Are the indicators measurable?	1	

3.5.2 Are the indicators achievable – at an acceptable cost?	1	
3.5.3 Are the indicators relevant with regard to the objective concerned and cover it?	1	
3.5.4 Are the indicators time-based (i.e. do they specify by when the result is to be achieved)?	2	

Score will be transferred to the main grid.

4. Sustainability	15	
4.1 Is the action likely to have a tangible <i>impact</i> on its target groups?	5	
4.2 Is the proposal likely to have <i>multiplier effects</i>? (including scope for replication and extension of the outcome of the action and dissemination of information)	5	
4.3 Are the expected results of the proposed action <i>sustainable</i>?	5	
4.3.1 Financially (<i>How will the activities be financed after the EC funding ends?</i>)	3	
4.3.2 Institutionally (<i>Will structures allowing the activities to continue be in place at the end of the action? Will there be local “ownership” of the results of the action?</i>)	2	

Score will be transferred to the main grid.

5. Budget and cost effectiveness – no sub-grid.

(4) STEP 4: Eligibility of the applicant and partners.

The eligibility verification, based on the supporting documents requested by the CFCU (see 2.4) will only be performed for the proposals that have been provisionally selected according to their score and within the available financial envelope.

- The Declaration by the applicant (Section VI of the grant application form) will be cross-checked with the supporting documents provided by the applicant. Any missing supporting document or any incoherence between the Declaration by the applicant and the supporting documents may lead to the automatic rejection of the proposal on that sole basis.
- The eligibility of the applicant, the partners, and the action will be verified according to the criteria set out in sections 2.1.1, 2.1.2 and 2.1.3.

Following the above analysis and if necessary, any rejected proposal will be replaced by the next best placed proposal in the reserve list that falls within the available financial envelope, which will then be examined for the eligibility of its applicant and the partners.

2.4 SUBMISSION OF SUPPORTING DOCUMENTS FOR PROVISIONALLY SELECTED PROPOSALS

Applicants who have been provisionally selected or listed under the reserve list will be informed in writing by the CFCU. They will be requested to supply the following documents in order to allow the CFCU to verify the eligibility of the applicants and their partners:

1. The statutes or articles of association of the applicant organisation and of each partner organisation.
2. An external audit report produced by an approved auditor, certifying the accounts for the last financial year available. This obligation does not apply to public bodies that are subject to yearly state audit and that publicize their financial accounts. The applicants that fall into the specified category need to send a signed statement by an authorised signatory clearly specifying the reference where their financial accounts and the related public audit report are published.
3. 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)¹³.
4. Legal entity sheet (see annex D) duly completed and signed by the applicant, accompanied by the justifying documents which are requested therein.
5. A financial identification form conforming to the model attached at Annex E, certified by the bank to which the payments will be made. This bank must be located in the country where the applicant is registered. If the applicant has already signed a contract with the EC Delegation or the CFCU, a copy of the previous financial identification form used for the contract may be provided, unless a change in its bank account occurred in the meantime.
6. Location permit, building permit and/ or any other appropriate permit related to works components of the provisionally selected projects.
In case a permit has not been issued yet, the applicant has to present to the CFCU the confirmation of its request to the authority responsible for issuing the permit. In any case, the permit(s) will have to be presented before contract signature.

The supporting documents requested under numbers 1, 3, 4 and 5. must be supplied in the form of originals or photocopies of the said originals. Supporting documents listed under numbers: 2. and 6. have to be supplied either in form of originals or in the form of **certified** photocopies.

The supporting documents can be in Croatian or English language. Where the supporting documents are in an official language of the European Union other than English, it is strongly recommended, in order to facilitate the evaluation, to provide a translation of the relevant parts of the documents, proving the applicant's eligibility, into the language of the call for proposals.

If these documents are not provided before the set deadline, the application will be rejected.

¹³ This obligation does not apply to natural persons who have received a scholarship, nor to Member States public bodies nor to international organisations. It does not apply either when the accounts are in practice the same documents as the external audit report already provided pursuant to point 2.4.2.

2.5 NOTIFICATION OF THE CENTRAL FINANCE AND CONTRACTING UNIT'S DECISION

2.5.1 *Content of the decision*

Applicants will be informed in writing of the CFCU decision concerning their application.

A decision to reject an application or not to award a grant will be based on the following grounds:

- the application was received after the closing date;
- the application was incomplete or otherwise non-compliant with the stated administrative conditions;
- the applicant or one or more of its partners was not eligible;
- the action was ineligible (e.g. the action proposed is not covered by the programme, the proposal exceeds the maximum duration allowed, the requested contribution is higher than the maximum allowed, etc);
- the proposal was not relevant enough and/or the applicant's financial and operational capacity was not sufficient;
- the proposal was considered technically and financially inferior to the proposals selected;
- although the proposal fulfils the quality criteria required for a favourable opinion, another proposal of a similar nature was awarded a higher score;
- several proposals were submitted by the same applicant and selected for financing, but the applicant does not have the financial and operational capacity required to implement the actions all together;
- one or more of the requested supporting documents were not provided before the set deadline;
- any other criterion included in these guidelines has not been respected.

The CFCU decision to reject an application or not to award a grant is final.

2.5.2 *Indicative time table*

The date on which the CFCU plans to inform the applicants about the outcome of the opening session and the administrative check is February 2007 - this date is indicative only.

The date on which the CFCU plans to inform the applicants about the outcome of the evaluation of the concept note is April 2007 — this date is indicative only.

The date on which the CFCU plans to inform the applicants about the outcome of the evaluation of the full application form is June 2007 — this date is indicative only.

The date on which the CFCU plans to announce the award decision after having verified the eligibility of applicant and partners is July 2007 – this date is indicative only.

2.6 CONDITIONS APPLICABLE TO IMPLEMENTATION OF THE ACTION FOLLOWING THE CENTRAL FINANCE AND CONTRACTING UNIT'S DECISION TO AWARD A GRANT

Following the decision to award a grant, the Beneficiary will be offered a contract based on the CFCU's standard contract (see Annex F).

The CFCU reserves the right to ask for assurance of co-financing prior to contract signature with an applicant.

The date planned for the start of actions, following the signing of the contract by the parties, is September 2007 — this date is indicative only.

The contract will, in particular, establish the following rights and obligations:

Audit firm

The name and address of the audit firm which will carry out the expenditure verification(s) referred to in article 15.6 of annex II to the standard grant contract, if such verifications are required, will have to be included in Article 5.2 of the contract.

Final amount of the grant

The maximum amount of the grant will be stipulated in the contract. As explained in point 2.1.4, this amount is based on the budget, which is itself only an estimate. As a result, it will be final only once the action has ended and the final accounts have been presented (see Articles 17.1 and 17.2 of the General Conditions).

Failure to meet the objectives

If the Beneficiary fails to implement the action as undertaken and agreed in the contract, the CFCU reserves the right to suspend payments, and/or to terminate the contract (see Article 11 of the General Conditions). The CFCU contribution may be reduced, and/or the CFCU may demand full or partial repayment of the sums already paid, if the Beneficiary does not fulfil the terms of the contract (see Articles 12.2 and 17.4 of the General Conditions).

Amendments to the contract and variations within the budget

Any amendment to the contract must be set out in a written addendum to the original contract (Article 9.1 of the General Conditions). However, some amendments (addresses, bank account, etc.) may simply be notified to the CFCU (see Article 9.2 of the General Conditions).

The description of the Action (Annex 1 to the contract) and budget items may vary from the original figures provided that the following conditions are met:

- (1) they do not affect the basic purpose of the action; and
- (2) the financial impact is limited to a transfer between items within a single main budget heading or to a transfer between the main budget headings involving a variation of less than 15% of the original amount (as the case may be modified by addendum) of each relevant main budget heading.

In such instances, the Beneficiary may make alterations to the budget, and inform the CFCU.

This method may not be used to amend the heading for overhead costs and contingency reserve (see Article 9.2 of the General Conditions).

In all other cases, a written request must be made in advance to the CFCU and an addendum is required.

Reports

Reports must be drafted in the language provided for in the contract. Narrative and financial reports conforming to the models attached to the contract are to be supplied together with payment requests (other than the first instalment of pre-financing). In addition, quarterly progress report will have to be prepared.

Additional information

In accordance with Article 2.2 of the General Conditions, the CFCU may request additional information.

Payments

The Beneficiary will receive pre-financing. If the overall duration of the action does not exceed 12 months, the pre-financing will be 80% of the grant (see Article 15.1 option 1 of the General Conditions). If the overall duration of the action exceeds 12 months and if the grant exceeds EUR 100 000, the first pre-financing instalment will be 80% of the part of the estimated budget for the first 12 months of the action financed by the CFCU (see Article 15.1 option 2 of the General Conditions). In that case, subsequent pre-financing payments may be made upon submission by the Beneficiary and approval by the CFCU, of an interim report.

In each case, the final balance will be paid upon submission by the Beneficiary and approval by the CFCU of the final report (see Article 15.1 of the General Conditions).

Payments will be made to a bank account or sub-account which identifies the funds paid by the CFCU and allows calculating the interests produced by these funds.

Accounts of the action

The Beneficiary must keep accurate and regular records and dedicated, transparent accounts of the implementation of the action (see Article 16.1 of the General Conditions). It must keep these records for seven years after payment of the balance.

Expenditure verification

A report on the verification of the Action's expenditures, produced by an approved auditor who is a member of an internationally recognised supervisory body for statutory auditing, must be attached to:

- any request for interim payments per financial year in case of grants of EUR 750 000 or more;
- any request for payment of the balance in the case of a grant of more than EUR 100 000
- any request for payment of over EUR 100 000 for the financial year, in the case of an operating grant

In an expenditure verification report conforming to the model attached at Annex VII to the contract, the auditor will certify that the costs declared by the Beneficiary are real, exact and eligible in accordance with the Contract (see Article 15.6 of the General Conditions).

The contract will permit the Commission, the European Anti-Fraud Office, the European Court of Auditors and the external auditor to carry out both record-based and on-the spot inspections of the action (see Article 16.2 of the General Conditions).

Publicity

Appropriate visibility and credit must be given to the grant made by the European Union, for example, in reports and publications stemming from the action or during public events associated with the action, etc. (see Article 6 of the General Conditions).

Implementation contracts

Where implementation of the action requires the Beneficiary to award procurement contracts, it must award the contract to the tenderer offering the best value for money, that is to say, the best price-quality ratio, in compliance with the principles of transparency and equal treatment for potential contractors, care being taken to avoid any conflict of interests. To this end, the Beneficiary must follow the procedures set out in Annex IV to the contract.

3. LIST OF ANNEXES

DOCUMENTS TO FILL IN

ANNEX A: GRANT APPLICATION FORM (WORD FORMAT)

ANNEX B: BUDGET (EXCEL FORMAT) E3c

ANNEX C: LOGICAL FRAMEWORK (EXCEL FORMAT) E3d

ANNEX D: LEGAL ENTITY SHEET (EXCEL FORMAT) E3e

ANNEX E: FINANCIAL IDENTIFICATION FORM E3f

http://ec.europa.eu/comm/europeaid/tender/practical_guide_august2006/annexes_grants_en.htm

DOCUMENTS FOR INFORMATION

ANNEX F: STANDARD CONTRACT (WORD FORMAT) E3h_1 (Special conditions) and the corresponding annexes to the Special conditions available at the following address:

http://ec.europa.eu/comm/europeaid/tender/practical_guide_august2006/annexes_grants_en.htm

ANNEX G: DAILY ALLOWANCE RATES (PER DIEM), available at the following address:

http://europa.eu.int/comm/europeaid/perdiem/index_en.htm