



CHALLENGE TO CHANGE

GUIDELINES FOR APPLICANTS

for

3rd Call for Proposals

November 2018

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1. Introduction

Guidelines for Applicants contains detailed informations about procedures of realization of funds through Project „Challenge 2.0 – Challenge to Change (C2C)“ (i.e through Challenge fund): detailed information about Challenge fund, procedures of realization of funds, eligible beneficiaries (applicants, partners), formal conditions and criteria for allocations of grants, eligible and non-eligible activities and costs, data and documentation which have to be submitted, as well as technical guidelines and rules for application processes.

2. General information about the project „Challenge 2.0“ and Call for Proposals

2.1. Introductory remarks and support needs

The situation in Bosnia and Herzegovina can be characterized with negative economic and social trends, which is manifested through a large number of unemployed young people, increased outflow of educational staff, reduced economic power of the population and in general, stagnation in social and economic development. This situation is reflected in the entrepreneurial spirit and reduced participation of various social groups with proposals and activities to overcome the current situation.

As an underdeveloped country in Europe, Bosnia and Herzegovina (BiH) has an unfavorable business environment and other obstacles that hinder the development of SMEs. In the European Union (EU) Small and Medium Sized Enterprises (SMEs) provide seven out of ten private sector jobs. On average there are about 45 enterprises per 1,000 people in the EU. In comparison, in Bosnia and Herzegovina (BiH), there are less than 10 enterprises per 1,000 people. Hence, starting a business anywhere is both a challenge and an opportunity, but in BiH, it is more of a challenge than an opportunity.

However, in BiH there are many business ideas from business and civil society, not realized due to the lack of risk sharing capital for support to innovative business ideas.

2.2. Basic information about Project „Challenge 2.0 – Challenge to Change“

According to the current situation in Bosnia and Herzegovina, The Swedish International Development Cooperation Agency–Sida, developed a new instrument for supporting innovation projects and process in BiH. After the pilot phase (Challenge 1.0.) Sida decided to establish a partnership with local institutions that will be able to design and implement a challenge fund support to entrepreneurs and MSMEs - “Challenge 2.0 - Challenge to Change – C2C”.

Challenge to Change – C2C Project is four years initiative (2017-2020) which will be implemented by Sarajevo Economic Region Development Agency (SERDA) and Republic Agency for Development SME (RARS). Partner in the project is Region Ostergotland, East Sweden.

One of the main characteristics of the C2C project is its open, transparent and competitive application process, which provides applicants with a one-off, limited-duration grant to overcome the uncertainties that inhibit innovation, research, and development. The assumption is that without challenge-fund support, such activities are either unlikely to happen, or will occur at a later stage, with reduced developmental effects. The Challenge Fund is a financing mechanism/instrument of development assistance for any organization willing to solve a particular problem with innovative solutions.

The C2C as a 'source of hope,' a form of encouragement, can make the difference between success and failure. The success of a C2C Fund relies on its ability to attract good applications from a wide range of MSMEs/Entrepreneurs. MSMEs/Entrepreneurs whose activities contribute to social and economic development in BiH through the applying Swedish best practice and values is one of the potential sources of applicants. It should capitalize on the strong ties between the two countries and significant population in Sweden with a background in BiH.

3. Financial aspects of Challenge fund

According to the available funds of the C2C project, the overall indicative amount provided by Sida for all five calls for proposals is 3.000.000 EUR. For the third call of proposal indicative amount is 700.000 EUR.

3.1. Type and amount of grants

The maximum amount of grant which can be assigned as co-financing through Challenge fund:

- For **Start-ups up to 10.000 EUR** (startups are registered business entities which performing activities between 6 and 24 months from the date of registration till the date of publishing Call for Proposals);
- For **Mature enterprises up to 30.000 EUR** (all registered business entities which performing activities more than 24 months from the date of registration till the date of publishing Call for Proposals).

The amount of C2C contribution **may not exceed 50% of the total value of the project** for which the grant is awarded. The maximum amount of own contribution in the realization of the project is not defined.

The following are possible examples of allowed matching funds needed for the project implementation: Cash/equity investment by a lead company; Cash/equity investment by third parties; Bank facilities (loans and overdrafts); Reinvested profits.

Example: If the total amount of the project 120.000 EUR, the maximum contribution of the Challenge Fund may be between 10.000 and 30.000 EUR (depending on the category of the applicant), while their own participation must be provided by the applicant.

3.2. Financial reallocation

During the implementation of the projects, financial allocations from Challenge fund will be carried on the principle of reimbursement in the following ways:

1. in full or;
2. in several tranches.

For every single project, depending on the type of the project (a type of activities and other elements of a project), method of payment will be defined at the level of the individual user agreement.

4. Eligibility of Applicants and Partners

Eligible applicants, regardless of the category, can participate in the projects under Challenge fund individually or in consortium with other partners.

Consortium (partnership between several entities) is acceptable as long as the lead applicant and partner are in that category of eligible applicants / partners.

4.1. Eligibility of Applicants

To be **eligible** for a grant, the **applicant** must satisfy the following eligibility criteria:

- be a legal person;
- be established in Bosnia and Herzegovina or Sweden;
- perform the registered activity for at least 6 months until the date of publication of the Call for Proposals,
- be registered for profit-making activity;
- must provide minimum 50% of cost share (of the total value of the project);
- be directly responsible for the preparation and implementation of the activities with the partners (if any).

Having in mind that the definition of MSMEs in BiH is not completely in line with EU definition, nor internally between the entities, specific targeting will be based on internationally acceptable practices, for example:

1. **Start-ups** - registered business entities which performing activities between 6 and 24 months from the date of registration to date of publishing Call for Proposals;
2. **Entrepreneurs (crafts)** - Commercial / business entities registered in accordance with the normative and legislative framework;
3. **Micro, small and medium enterprises** - all registered business entities which performing activities more than 24 months from date of registration to date of publishing Call for Proposals and employing up to 250 employees);
4. **Cooperatives** - which are registered in accordance with the normative and legislative framework.

Potential applicants **are not eligible** to enter into contractual agreement with C2C implementing partner if they have in any of listed situations:

- 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 the national legislation;
- b) they have been convicted of an offence concerning professional conduct by a judgment which has the force of res judicata (i.e., against which no appeal is possible);
- c) they are guilty of serious professional misconduct proven by any means;
- d) they have not fulfilled obligations relating to the payment of debts to the consolidated state budget;
- e) they have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organization or any other illegal activity detrimental to the national financial interests;
- 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 national budget;
- g) are subject to a conflict of interests; the conflict of interests represents any circumstances that may affect the assessment or implementation process, in an objective and impartial manner. Such circumstances may result from economic interests, political or national preferences or family connections;
- h) are guilty of misrepresentation in supplying the information required by the Challenge Team 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 assessment bodies during the assessment process of current or previous calls for proposals;
- j) if they were beneficiaries of the grant in previous calls within the Challenge 2.0 project.

4.2. Eligibility of Partners

Partner(s) **must** satisfy the following eligibility criteria:

- be a legal person;
- be established in Bosnia and Herzegovina or Sweden.

Potential partner(s) may not participate in calls for proposals or be awarded grants if they are in any of the situations listed in Section 4.1 of this document (i.e. the same rules as applicable to the applicant).

In addition to the above mentioned the following organizations are not eligible:

- organizations that are not legally registered;
- any entity that has been found to have misused Sida or other donor or public funds in the past;
- political parties, groupings, or institutions or their subsidiaries and affiliates;
- organizations that advocate, promote, or espouse anti-democratic policies or illegal activities;
- faith-based organizations whose objectives are for discriminatory and religious purposes, and whose main objective for the grant is of a religious nature;
- organizations that refuse to sign the required certifications.

A number of applications and grants per applicants/partner(s) per one call for proposals:

- The applicant **may not submit** more than 1 application under a single call for proposals.
- The applicant **may be** a partner in another application at the same call for proposals.
- A partner **may submit** more than one project idea application under the same call for proposals.
- A partner **may not be awarded** more than one grant under a call for proposals.

5. Project Activities and Costs

5.1 Duration

The period for the implementation of the project **will be up to** 12 months.

5.2 Effects of implementation of the project

The development effects of the project **must take place** in/for Bosnia and Herzegovina, regardless of the country of applicant or partners.

5.3 Types of activities

A project idea is composed of a set of activities. By way of an illustration, project idea could contain a range of the following activities in relation to the C2C project results. The following examples of activities are **eligible** (but not limited to):

- purchase / development of equipment and software for technological advancement (note: if it proves to be justified (price, purchase option or the like), the purchase of used equipment from a legal entity is allowed);
- development or improvement of production processes that can lead to an increase in production capacity or new product characteristics;
- developing new products (including protecting intellectual property rights and standards);
- development of new energy-efficient solutions;

- development and improvement of new organizational models and processes;
- diversification of new products, processes or services through new and innovative solutions or improvement of technological process;
- improvement of the production process by reducing waste and environmental impact;
- small-scale demonstration projects on renewable energy use
- infrastructure works that are necessary for the realization of an innovative idea (**up to 10% of the total value of the project will be acceptable for justification within project costs**).

The mentioned activities refer to both the funds provided by the Challenge Fund and the funds provided by the applicant and / or the partner, i.e. all activities covered by the project must be in the eligible cost category.

The following types of activities are **not eligible**:

- a) activities which endanger the environment;
- b) activities concerned only or mainly with individual sponsorships for participation in workshops, seminars, conferences, and congresses;
- c) activities concerned only or mainly with individual scholarships for studies;
- d) activities linked to political parties;
- e) activities which fall within the general activities of competent state institutions or state administration services, including local government;
- f) activities confined to charitable donations;
- g) purchasing of vehicles, computers, mobile phones. Such actions may be considered for acceptance only if crucial for the implementation of the action;
- h) humanitarian activities.

5.4. Eligibility and non-eligibility costs

Only eligible costs can be covered by a grant. The categories of costs that are eligible and non-eligible are indicated below.

To be considered **eligible**, costs incurred during the implementation of project ideas under the C2C project have to fulfill all of the following criteria:

- a) they **incurred during the implementation period** of the project idea;
- b) they are indicated in the estimated overall budget of the project idea;
- c) they are necessary for the implementation of the project idea which is the subject of the grant;
- d) they are identifiable, verifiable and documented (e.g. contract, invoice, order form), in particular being recorded in the accounting records of the beneficiary and determined

according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices of the country;

- e) they comply with the requirements of applicable tax and social security legislation;
- f) they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;
- g) they incurred in accordance with the relevant country national legislation (BiH/Sweden);
- h) they are not listed as an ineligible expenditure;
- i) one expenditure item cannot be covered under more than one expenditure category or under more than one budget line under a given expenditure category;
- j) they are used for transport, installation, guarantee for the period of implementation and training of workers on purchased equipment;
- k) co-financing rate as stipulated in the Contract, is applied to each eligible cost under all expenditure categories.

The following costs are **non-eligible**:

- a) value-added tax costs;
- b) custom duties;
- c) overhead expenses in the production process (water, electricity, heating, internet, etc.);
- d) debts and debt service charges (interest);
- e) provisions for losses or potential future liabilities;
- f) costs declared by the beneficiary(ies) and financed by another project or programme;
- g) purchases of land or buildings;
- h) currency exchange losses;
- i) bank guarantee costs or any other guarantees;
- j) credit to third parties;
- k) fines, financial penalties and expenditure on legal disputes and litigation;
- l) costs of leasing;
- m) products or services which belong to specific sectors that are not eligible in accordance with EU practices (alcohol production, tobacco, gambling, military).

6. Cross-Cutting Issues

The C2C project will create a positive environment for idea and initiative exchange and application's submission. The project will give special attention to gender and promote equality in all activities and evaluation processes of grant applications on entrepreneurship, management, and employment. The project will encourage private enterprises to develop and implement new business ideas with social orientation and social innovation capacity to improve conditions for people in poverty.

6.1. Gender Mainstreaming

The C2C project will take care of gender equality improvement in both, employment rate and share of female entrepreneurs by corresponding evaluation criteria and promotion through the marketing activities. Through the evaluation of proposals, it will give a fair weighted advance for women-owned businesses and a higher rate of women labor force in higher added value businesses. In conclusion, the C2C will be devoted to making the important focus on empowering women in Bosnia and Herzegovina society and promoting of gender equality through respective activities.

6.2. Environment

The C2C creates the momentum to integrate environmental aspects into other thematic areas, such as MSMEs development.

Environmental impacts will be considered in two different ways:

- Applications that promote introduction the products/services/processes, which substitutes existing solutions with better environmental impact;
- Applications that do not have an adverse impact on the environment, and those with positive side effects.

6.3. Respecting the Decent Work Agenda

The C2C project recognizes the Decent Work, with ILO definition, as an important project implementation issue in the context of productive work for women and men in conditions of freedom, equity, security, and human dignity.

7. The method of submission of project proposals

The possibility of submission of project proposals *is carried out exclusively* via the electronic Management System for Application and Evaluation (eMSAE) placed on the website - www.c2c.ba .

The potential applicants and project partners have to be registered on web platform before submission of a project proposal. After registration, the system will assign unique access code, on the basis of which later can perform registration and submitting proposals (while the system generates the necessary data for applicants or partners). Through this model of submission of project proposals, C2C project will provide anonymity of applicants and partners. This Application Manual is a separate document and available on web platform.

Note: Applications received by mail (printed form), by fax or in some other way, will not be considered, nor will be subject to evaluation.

At the same time, all information published via a web platform or obtained in direct communication with members of the C2C team or implementing agencies are relevant and mandatory, while information from any other source is not legally binding.

Applicants need to pay attention to the information that is available in the Information Package, especially in the Offline Application Form - the form is designed to provide information on the content of the online application form that is filled in via the Electronic Management System for Application and Evaluation (eMSAE). This offline application form is for informational purposes only and is considered an assistant tool for applicants during the project preparation phase.

In case of disagreement between the offline application form and the online application form in eMSAE, the mandatory form of the application is in eMSAE.

The project proposals may be submitted on or before **17 December 2018 by 24:00 (local time in Bosnia and Herzegovina).**

All additional information connected to this Call for Proposals, potential applicants and partners can get:

- participation in info-days,
- visiting website of the Project www.c2c.ba,
- sending an email: info@c2c.ba (no later than 12 days before the deadline for submission of applications).

8. Evaluation process

8.1. Checking the eligibility of applicants and administrative check

During registration, the applicant and the partners enter all relevant information regarding the business entities, which checks automatically the eligibility of applicants and partners.

In this way, the simplification of the application process and the reduction of application costs is achieved. At the same time, it should be noted that the applicants are responsible for the credibility of the information provided in the application. Accuracy and verification of data will be carried out during the contracting process, and applicants who give inaccurate data in the application will be eliminated from the further process during the contracting process.

Applicants have the opportunity to download an Application package from the website of the project, which will serve as an instrument and tool for the preparation of applications.

Application Package consists of:

- *Guidelines for applicants,*
- *Application manual,*
- *Off-line version of the application (with Budget).*

During the process of application, applicant is obligatory to upload the following documents:

- Balance Sheet (for 2016 and 2017),
- Income statement (for 2016 and 2017; the startup need to prepare a financial report for the period from the moment of registration until launching the Call for Proposals),
- Registration code,
- Tax number/code.

8.2. Evaluation of applications

In the first stage of Evaluation, the focus will be on 3 key criteria:

- ✓ **INNOVATION CRITERIA** (relevance, Innovation level, Impact coverage, description of innovation advantage comparing with the alternatives in performance, quality, and price to satisfy target groups) – up to 30 points;
- ✓ **FEASIBILITY CRITERIA** (Organization and technical capacity of applicant and consortium, quality of budget and interaction between activities, resources and results) – up to 35 points;
- ✓ **ADDITIONALITY CRITERIA** (Employment Capacity, improved quality of life for the low-income population, Gender equality, increasing environmental protection, development of local value chains) – up to 35 points.

Maximum total scoring is 100 points for *this phase of evaluation*. **The threshold for passing to the second phase is 60 points.**

The second phase of Evaluation will conduct the External Evaluation Committee (ECC is a fully independent body from implementing Agencies and have 3 members from Sweden and 2 members from BiH).

The preliminary list of proposed project proposals is compiled by the External Evaluation Committee.

8.3. Site visit

After the evaluation process and preliminary listed projects proposed to financing, it will be organized site visit to applicants and partners. The purpose of the site visit is to check the accuracy of data named in the application and compare them with real situation and capacities of applicants.

If the commission finds irregularities or determines that the information submitted in the application is incorrect, these applications will be rejected.

8.4 Notification of the results of calls

After a site visit, it will be formed the final list of approved project proposals. All applicants will be informed about the results by email.

List of approved projects will be published on website of the Project.

8.5 The signing of the grant agreement and the implementation of project activities

After the finalization of the list of approved proposals, the signing of the Grant Agreement with the beneficiaries of the grant will be organized. Implementation, financial liability, time limits of the project implementation, methods of reporting and other provisions necessary for the implementation of the project will be subject to contract.

Indicative time frame:

ACTIVITY	DATE
Publishing call for proposal	07.11.2018
Deadline for additional information	05.12.2018
Deadline for submission of project proposals	17.12.2018
Notification of Final Results of the Call for Proposals	March 2019 (indicative)
Signing of the grant agreement	April 2019 (indicative)