



**Guidelines for Applicants**  
**for 1st Public call in Project Challenge to Change**

**Sarajevo / Banja Luka, April of 2017<sup>th</sup>**

## CONTENT

|    |                                                                          |    |
|----|--------------------------------------------------------------------------|----|
| 1. | About Guidelines for Applicants.....                                     | 3  |
| 2. | General informations about Project „Challenge 2.0“ and Public Call ..... | 3  |
| 3. | Financial aspects of Challenge fund .....                                | 4  |
| 4. | Eligibility of Applicants and Partners.....                              | 5  |
| 5. | Project activities and Costs.....                                        | 7  |
| 6. | Cross-Cutting Issues.....                                                | 9  |
| 7. | The method of submission of project proposals.....                       | 10 |
| 8. | Evaluation process.....                                                  | 11 |

## 1. About Guidelines for Applicants

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 criterias for allocations of grants, eligible and non eligible activities and costs, data and documentations which have to be submitted, as well as technical guidelines and rules for application processes.

## 2. General informations about Project „Challenge 2.0“ and Public Call

### 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 on 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 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 (B&H), there are less than 10 enterprises per 1,000 people. Hence, starting a business anywhere is both a challenge and an opportunity, but in B&H, it is more of a challenge than an opportunity.

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

### 2.2. Initially 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 B&H. After 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 fouryears inciative (2017-2020) which will be implemented by Sarajevo Economic Region Development Agency (SERDA) and Republic Agency for Development SME (RARS). Partner in 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 B&H 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 B&H.

### 3. Financial aspects of Challenge fund

According to the budget of the C2C project, the overall indicative amount provided by Sida for all six calls for proposals is 2.326.770 EUR. For first Call of proposal indicative amount is 400.000 EUR.

#### 3.1. Type and amount of grants

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

- For **startups up to 10.000 EURO** (startups are registered business entities which performing activities between 6 and 24 months from date of registration till publishing Public call)
- **Micro, small and medium enterprises up to 30.000 EURO** (all registered business entities which performing activities more than 24 months from date of registration till publishing Public call and employing up to 250 workers)

Minimum co-financing share of an own applicant contribution must not be below 50% of the overall costs of the project idea. Maximum co-financing share percentage of an own applicant contribution is not limited.

The following are possible examples of allowed matching funds needed for the project implementation: Cash/equity investment by 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 euros, the maximum contribution of the Challenge Fund may be between 10,000 and 30,000 euros (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 reallocations from Challenge fund will be carried in next two ways:

- in one tranche
- in several tranches.

For every single project, depending of the type of the project (type of activities and other elements of 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) are 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 registered for profit-making activity;
- be established in Bosnia and Herzegovina or Sweden;
- must provide minimum 50% of cost share;
- be directly responsible for the preparation and implementation of the activities with the partners (if any).
- the project to be funded needs to have development effects in/for BiH

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

- **Start-ups** (registered but either as a craft or as company, minimum six months but not older than two years);

- **Innovative and other MSMEs** (all registered business entities which performing activities more than 24 months from date of registration till publishing Public call and employing up to 250 workers);
- **Crafts and cooperatives;**

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

- a) bankrupt or being wound up, are having their affairs administered by the courts,
- b) they have been convicted of an offense 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) belong to specific sectors that are not eligible by EU practices (alcohol production, tobacco, gambling, military),
- h) are subject to a conflict of interests, as defined by BiH legislation;
- i) are providing false or incomplete information required by the Challenge Team as a condition of participation in the call for proposals.

### *1.2. Eligibility of Partners*

Partner(s) participate in designing and implementing the project idea together with an applicant, and the costs they incur are eligible in the same way as those incurred by the applicant. Partner(s) **must** satisfy the following eligibility criteria:

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

A partnership among organizations and institutions will be eligible to apply as long as the main partner is MSME/Enterprises.

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

### **Duration**

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

### **Location**

The development effects of the project **must take place** in/for Bosnia and Herzegovina.

### **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):

- development of equipment and software for technological advancement;
- improvement of production capacities;
- 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 infrastructure works(up to 10% of total project costs).

This classification of activities applies to both provided by the C2C project and the funds provided by the applicant and partner during the implementation of the project idea.

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

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

#### *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:

- they incurred during the implementation period of the project idea;
- they are indicated in the estimated overall budget of the project idea;
- they are necessary for the implementation of the project idea which is the subject of the grant;
- 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;

- they comply with the requirements of applicable tax and social security legislation;
- they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;
- they incurred by the relevant country national legislation (B&H/Sweden);
- they are not listed as an ineligible expenditure;
- one expenditure item cannot be covered under more than one expenditure category or under more than one budget line within a given expenditure category;
- co-financing rate of the applicant (as stipulated in the Contract) is minimum 50% of the overall proposed budget.

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

- debts and debt service charges (interest);
- provisions for losses or potential future liabilities;
- costs declared by the beneficiary(ies) and financed by another project or programme;
- purchases of land or buildings
- currency exchange losses;
- bank guarantee costs or any other guarantees;
- credit to third parties;
- fines, financial penalties and expenditure on legal disputes and litigation;
- value added tax costs;
- costs of leasing;
- costs related to manufacturing, processing and marketing of tobacco and tobacco products;
- overhead expenses in the production process (water, electricity, heating, internet, etc.);
- costs related to the military industry.

## 5. 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 the social orientation and social innovation capacity to improve conditions for people in poverty.

### *5.1. 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 make the important focus on empowering women in Bosnia and Herzegovina society and promoting of gender equality through respective activities.

### 5.2. 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.

### 5.3. Respecting 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.

## 6. The method of submission of project proposals

The possibility of submission of project proposals *is carried out exclusively* via the application on the web platform - [www.c2c.ba](http://www.c2c.ba).

The potential applicants and project partners have to be registered on web platform before submission of project proposal. After registration, 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 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.**

The project proposals may be submitted on or before **June 12, 2017** by 16:00 (local time in BiH).

All additional information connected to this Public call, potential applicants and partners can get:

- Participation in info-days,
- Visiting website of the Project [www.c2c.ba](http://www.c2c.ba),

- sending an email: [info@c2c.ba](mailto:info@c2c.ba) (no later than 10 days before the deadline for submission of applications).

## 7. Evaluation process

### 7.1. Evaluation process

Evaluation process have next steps:

#### Checking the eligibility of applicants and administrative check

Checking eligibility of the applicant and partner in the project is done during the registration of applicants and partners on the web platform. During registration, the applicant and the partners enter all relevant information regarding the economic / business entities, which checks the eligibility of applicants and partners..

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

Application Package consists of:

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

During process of application, applicant is obligatory to apload next documents:

- ✓ Balance Sheet (for 2015 and 2016),
- ✓ Income statement (for 2015 and 2016; the startup need to prepare financial report for period from the moment of registration until 30.04.2017),
- ✓ Registration code,
- ✓ Tax number/code.

#### Evaluation of applications

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

- ✓ **INNOVATION CRITERIA** – up to 30 points,
- ✓ **FEASIBILITY CRITERIA** – up to 35 points,
- ✓ **ADDITIONALITY CRITERIA (cross-cutting)** – up to 35 points.

**Maximum total scoring is 100 points for this phase of evaluation. The threshold is 70 points.**

**The second phase of Evaluation will conduct External Evaluation Committee (ECC is fully independent body from implementing Agencies and have 3 members from Sweden and 2 members from B&H).**

### Site visit

After evaluation process and preliminary listed projects proposed to financing, it will be organized site visit to applicants and partners. The purpose of site visit is to check 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 application is incorrect, these applications will be rejected.***

### Notification of the results of calls

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

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

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

Implementation, financial liability, time limits of the project implementation, methods of reporting and other provisions necessary for implementation of the project will be subject to contract.

Indicative time frame:

| ACTIVITY                                         | DATE                     |
|--------------------------------------------------|--------------------------|
| Publishing call for proposal                     | 27.04.2017               |
| Deadline for additional information              | 02.06.2017               |
| Deadline for submission of projects              | 12.06.2017               |
| Notification of Final Results of the Public Call | Second half of July      |
| Signing of the grant agreement                   | The first half of August |