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**DIGITAL, INNOVATION, AND GREEN TECHNOLOGY PROJECT (DIGIT PROJECT)**



CALL FOR PROPOSAL FOR THE DIRECT AWARD

**RENOVATION AND EQUIPPING OF THE HEADQUARTERS AND OPEN LABORATORIES (CoE MARBLE HQ)**

CALL REFERENCE NUMBER: DIGIT.1.1.03

Annex I. Conditions for the preparation and implementation of projects within the DIGIT Project

October 2025

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**Abbreviations and Acronyms**

|  |  |
| --- | --- |
| AI | artificial intelligence  |
| CITES | Convention on International Trade in Endangered Species of Wild Fauna and Flora |
| DIGIT | Digital, Innovation, and Green Technology Project |
| E&S | Environmental and Social |
| EC | Evaluation Committee  |
| ESCP | Environmental and Social Commitment Plan |
| EHSG | Environment, Health and Safety Guidelines |
| ESF | Environmental and Social Framework |
| ESMF | Environmental and Social Management Framework |
| ESMP | Environmental and Social Management Plan |
| ESSs | Environmental and Social Standards |
| ESSQ | Environmental and Social Screening Questionnaire  |
| EU | European Union |
| EUR | euro (currency) |
| GIIP | Good International Industrial Practice |
| GRM | Grievance Redress Mechanism |
| IBRD | International Bank for Reconstruction and Development |
| IFC | International Finance Corporation |
| LEED | Leadership in Energy and Environmental Design  |
| MSEY | Ministry of Science, Education and Youth |
| OG | Official Gazette |
| PIU | Project Implementation Unit |
| RDI | research, development, and innovation |
| SEP | Stakeholder Engagement Plan |
| ToR | Term of Reference |
| US$ | United States dollar |
| WB | World Bank |

# General requirements for the grant

The purpose of the general requirements for the grant is to provide clear guidelines and standards to ensure that the grant under the DIGIT Project is used effectively and efficiently. This section outlines the conditions regarding exclusion situations, ineligible activities and eligibility of costs, compliance with horizontal principles, environmental and social management goals, and ethical standards, all of which must be adhered to by the project.

## Exclusion situations

Under this Call for proposal (Call), grant cannot be awarded to:

* An Applicant who does not meet the eligibility criteria as defined in Section 5. of Guidelines for the Applicant;
* An Applicant who has not returned funds as per the decision of the competent authority, including cases where a refund has been requested due to previously received aid being declared unlawful or incompatible with the applicable regulations;
* If the Applicant or a person legally authorized to represent the Applicant (person(s) who are members of the administrative, management, or supervisory body or have the authority to represent, make decisions, or supervise the economic entity) has been finally convicted of any of the following criminal offenses or equivalent offenses according to the laws of the country of the registered office or the country of which the person authorized to represent them is a citizen:
	+ Participation in a criminal organization, based on Article 328 (criminal association) and Article 329 (commission of a criminal offense within a criminal association) of the Criminal Code (Official Gazette (OG) 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24), Article 333 (association for the commission of criminal offenses) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Terrorism or criminal offenses related to terrorist activities, based on Article 97 (terrorism), Article 99 (public incitement to terrorism), Article 100 (recruitment for terrorism), Article 101 (training for terrorism), Article 101.a (travel for terrorism purposes), and Article 102 (terrorist association) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 169 (terrorism), Article 169.a (public incitement to terrorism), and Article 169.b (recruitment and training for terrorism) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Money laundering or terrorist financing, based on Article 98 (terrorism financing) and Article 265 (money laundering) of the Criminal Code (OG 125/2011, 144/2012, 56/2015, 61/2015, 101/2017, 118/2018, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 279 (money laundering) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Child labor or other forms of human trafficking, based on Article 106 (human trafficking) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 175 (human trafficking and slavery) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Corruption, based on Article 252 (bribery in business operations), Article 253 (bribery in business operations), Article 254 (abuse in public procurement procedures), Article 291 (abuse of position and authority), Article 292 (illegal favoring), Article 293 (acceptance of bribes), Article 294 (offering of bribes), Article 295 (trading in influence), and Article 296 (offering bribes for trading in influence) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 294.a (acceptance of bribes in business operations), Article 294.b (offering bribes in business operations), Article 337 (abuse of position and authority), Article 338 (abuse of performing duties of state authority), Article 343 (illegal mediation), Article 347 (acceptance of bribes), and Article 348 (offering bribes) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Fraud, based on Article 236 (fraud), Article 247 (fraud in business operations), Article 256 (tax or customs evasion), and Article 258 (subsidy fraud) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 224 (fraud), Article 293 (fraud in business operations), and Article 286 (tax and other levies evasion) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
* An Applicant in case the Applicant or a person legally authorized to represent the Applicant has been found guilty of a serious professional misconduct;
* An Applicant who knew or should have known that they were in a conflict of interest in the subject grant award procedure;
* An Applicant who has not paid salaries to employees, made contributions for mandatory insurance (particularly health or pension), or paid taxes in accordance with regulations;
* An Applicant who has provided false information within the project proposal.

## Ineligible activities

The following activities are ineligible and will not be financed:

A. Activities listed in the International Finance Corporation (IFC) Exclusion list:

* Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls, wildlife or products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and other listed on the IFC Exclusion list (as follows);
* Production or trade in weapons and munitions;
* Production or trade in alcoholic beverages (excluding beer and wine);
* Production or trade in tobacco;
* Gambling, casinos and equivalent enterprises;
* Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where considers the radioactive source to be trivial and/or adequately shielded;
* Production or trade in unbounded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
* Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
* Production or activities involving harmful or exploitative forms of forced labor/harmful child labor;
* Commercial logging operations for use in primary tropical moist forest;
* Production or trade in wood or other forestry products other than from sustainably managed forests;
* Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products;
* Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples (if applicable);
* Activities that might cause land acquisition or involuntary resettlement will not be eligible for financing.

B. Other ineligible activities related to the DIGIT project:

* Activities involving consumption of fossil fuels, including innovation with potential lock in effects and entrapment risk;
* Activities within the framework of the EU emissions trading system (ETS) that achieve the predicted emissions of greenhouse gases that are not lower than the relevant reference values;
* Activities related to waste disposal sites, incinerators and facilities for mechanical biological treatment;
* Activities resulting in long-term waste disposal that harms the environment;
* Activities rated with substantial or high environmental and social (E&S) risk according to World Bank (WB) E&S policies;
* Purchase of large quantities of chemicals and hazardous materials (including agents, gases, equipment, liquids, etc.);
* Procurement of pesticides;
* Activities that include: testing on animals (with exception of insects, small planktonic crustaceans Daphnia and the like), collecting samples from animals or humans, procuring/working on samples of animal or human tissue/cells/other body materials, for which the risk has been assessed as high or substantial by a subsequent E&S screening procedure; high and substantial risks, among others, include:
	+ conducting a clinical study using pharmaceuticals, biologicals, radiopharmaceuticals, or advanced therapy medicinal products,
	+ invasive techniques (e.g. surgical or medical interventions, invasive studies on the brain, TMS etc.),
	+ activities involving children (or other persons unable to give consent),
	+ activities involving human stem cells, embryonic stem cells (hESCs) and human embryos (hEs) and other human fetal or embryonic tissues or cells,
	+ activities intended to modify the genetic make-up of human beings that could make such changes heritable,
	+ in vitro cultivation of human tissues and organs (bio-printing),
	+ creation of human-animal hybrid organisms (chimeras), etc.;
* Laboratories with biosafety level 3 (BSL-3) and 4 (BSL-4);
* Maritime industry (except maritime transport -research related to small vessels).

## Horizontal principles

The Applicant is obliged to comply with the legal provisions, which represent the minimum requirements for the implementation of horizontal policies. Respecting the legal provisions, the project is neutral about horizontal policies, and the associated expenditures and activities will not be considered as a contribution to horizontal policies, but as a fulfillment of a legal obligation. If the project contains additional activities with the prescribed minimum compliance with legal provisions, then the project promotes horizontal policies. The following horizontal principles will be considered:

* **Sustainable development** - the DIGIT Project encourages the application of principles of sustainability to all aspects related to project implementation. The Applicant will be asked to consider the most sustainable and nature-friendly use of all resources that are planned for implementing project. The infrastructure project will take into account the principles of sustainable development during all phases of planning and implementation. Special emphasis is placed on energy efficiency, the use of environmentally friendly materials, reduction of resource consumption, and the long-term sustainability of equipment and construction solutions. The project will include measures to reduce negative environmental impacts, such as proper waste management during construction works, minimizing pollution of soil, water, and air, as well as controlling noise levels during construction activities. Solutions that contribute to reducing CO2 emissions will also be applied where feasible (e.g. installation of energy-efficient heating/lighting systems, use of renewable energy sources). All works financed under this Call will be guided, where financially and technically feasible, by the principles of the Leadership in Energy and Environmental Design (LEED) sustainability standard, in support of climate adaptation and mitigation objectives, particularly regarding energy efficiency. Formal LEED certification is not required for project approval. Sustainable development of the project also implies the dissemination of materials, printouts, meetings, and modes of communication. When feasible, environmental (e.g. green public procurement criteria) and social considerations as well as innovative solutions should be taken into account. Project needs to explain how they will prevent or mitigate the negative impact. Project with a direct negative impact on the environment and sustainable development will not be funded.
* **Equal opportunities and non-discrimination** - as a general approach, the project is required to integrate these horizontal principles into its activities or, at a minimum, to assess its potential influence on them. A project that has a direct negative impact on equal opportunities or non-discrimination will not be approved. The use of Good International Industry Practices (GIIP) is mandatory under the Environmental and Social Framework (ESF) and includes WB Good Practice Notes on non-discrimination and disability, among other topics. The contractor's code of conduct mandatory to all employees must include, among other topics, the following standards of behavior: maintaining high standards of polite and fair behavior in dealings with investor, beneficiaries of works, local communities, suppliers, co-workers, and the general public; and treating all persons in a non-discriminatory manner, with full respect for their rights and dignity.
* **Gender equality** - beyond the general principle of non-discrimination, the DIGIT grant schemes will specifically focus on gender equality. A project that has a direct negative impact on gender equality will not be approved. The use of GIIP is mandatory under the ESF and includes WB Good Practice Notes on gender equality, among other topics.

## Environmental and social management review procedures

The aim is to ensure that the people and the environment are protected from potential adverse impacts during all phases of project implementation by supporting "green, clean, resilient" paths. This is achieved by ensuring the implementation of project in accordance with the operational policies and guidelines of the WB, including the WB Environment, Health and Safety Guidelines (EHSG), WB Environmental and Social Standards (ESSs), GIIP and national environmental and social legislation protection by following adopted Environmental and Social Management Framework (ESMF).

Environmental and social standards (ESSs) relevant for the project are:

* ESS1 Assessment and Management of Environmental and Social Risks and Impacts;
* ESS2 Labor and Working Conditions;
* ESS3 Resource Efficiency and Pollution Prevention and Management;
* ESS4 Community Health and Safety;
* ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources;
* ESS8 Cultural Heritage;
* ESS10 Stakeholder Engagement and Information Disclosure.

The project and its activities, including Technical assistance (TA) activities (unless otherwise agreed with the WB), must undergo environmental and social due diligence, including screening and assessment in accordance with the ESF of the WB and the project-specific Environmental and Social Management Plan (ESMP)) developed under it. This process must integrate stakeholder engagement activities, including consultations and feedback, and follow the five-step process for identifying risks associated with specific project. It includes the exclusion of any significant and high-risk activities, identification of potential impacts, definition of measures to prevent or minimize negative impacts, and determination of the type of management instrument required to meet project standards (ESMP and other relevant instruments):

* **STEP 1: Project E&S screening and risk classification** - the Environmental and Social Screening Questionnaire (ESSQ) prepared by the Applicant with the advice of the Project Implementation Unit (PIU), reviewed by PIUs Environmental and Social (E&S) Experts and approved by the WB. Where applicable, land acquisition, restrictions on land use and involuntary resettlement screening will be conducted by Beneficiary with the guidance of PIU, reviewed by PIUs Environmental and Social (E&S) Expert and approved by the WB.
* **STEP 2: Project Preparation** - necessary documentation prepared by the Applicant/Beneficiary with the advisory assistance and control of PIU.

Project preparation includes the technical documentation for the project to be financed, permits and approvals issued by the competent authorities in connection with the implementation of the project, as well as the dynamics of the execution of works, will be prepared by the applicant. Due to the project’s potential impact on communities or third parties, a commensurate level of stakeholder engagement to inform design and preparation will be conducted.

Stakeholder Engagement Plan (Project SEP) will be prepared and implemented by the Applicant/Beneficiary, proportional to project's risks. The project’s SEP has to be prepared to ensure that stakeholders are well informed about the proposed project activities, to involve stakeholders in the assessment, to establish a productive relationship between the project team and stakeholders, to manage expectations, and ensure compliance with national regulatory requirements and international best practice. The SER (Stakeholder Engagement Results) will be implemented in the E&S instrument.

Note: *STEP 2 and STEP 3 will be implemented in parallel. The E&S instruments (ESMP, CHMP, SEP etc.)**will be developed for the project design phase and the construction and use phase.*

* **STEP 3: Preparation and Disclosure of E&S instrument (ESMP, CHMP, and SEP etc.)** - must be prepared by the Applicant/Beneficiary, reviewed by PIU ESSs, approved by the WB, publicly disclosed and consulted, and finalized prior to bidding procedures. E&S instrument presents an integral part of bidding and contracting documentation for contractors.

Identified cultural heritage related risks will be addressed through the development of Cultural Heritage Management Plan (CHMP) and, where applicable, with integrated conditions obtained in opinions and permits of competent authorities for interventions into physical cultural heritage.

The finalized E&S instrument will reflect relevant comments obtained in the public consultations and include minutes of public consultations. PIU E&S Specialists will be responsible for publishing the documents to the public and introducing the public in the whole process of project realization.

* **STEP 4: Integration of E&S instrument (ESMP, CHMP, SEP etc.) in tender documentation –** the documents will be prepared prior to the launch of the tender for design and construction works. The final version will be integrated into tender documentation and subsequently included in the contracts to be signed with the selected designers and works contractors. Designers will be required to demonstrate that all prescribed mitigation measures have been incorporated into the design solutions, while contractors must show that these measures have been included in the Contractor’s ESMP. This is to ensure that the project is implemented in an environmentally and socially acceptable manner.
* **STEP 5: Implementation, project supervision, monitoring and reporting** - the Beneficiary, designers and contractor are responsible for the implementation of mitigation measures and monitoring plan defined in the E&S instruments (ESMP/CHMP/SEP etc.), as well as any subsequent corrective measures prescribed by PIU and WB.

E&S specialists within the PIU will be involved in the preparation of the project design documentation and will ensure that mitigation measures from the design-phase ESMP are properly integrated at all stages of the design process.

PIU regularly supervises construction works through site visits, review of documentation and other available means. Where applicable, the Contractor will report E&S compliance to the Beneficiary and subsequently to PIU.

Implementation of particular community safety and OHS measures that relate to use period, safety of staff, emergency preparedness, Waste Management Plan, Traffic Management Plan and other defined in the Environmental and Social Commitment Plan (ESCP) is responsibility of project Beneficiary and PIU as will be defined in the E&S instrument.

**Environmental and social review of TA**

In the context of this Call, Technical Assistance (TA) refers specifically to the E&S support in the preparation of technical documentation, which represents an essential component in project preparation. TA financed under the project is subject to E&S screening and reviews of terms of references (ToRs), outputs, and other relevant documents, to ensure no adverse downstream impacts, in accordance with the E&S review procedures outlined in the Project ESMF.

Specific steps to be taken include:

1. Define the type and scope of TA: clarify whether the TA involves activities such as designing digital platforms/systems, supporting policy, regulatory, or legal reforms, human and institutional capacity building, future investment planning, or project-specific tasks (e.g., feasibility studies, detailed designs) etc.
2. Screen for potential environmental and social risks: social exclusion, data privacy and security, labor and working conditions, community health and safety, future physical infrastructure etc.
3. Categorize TA by risk: assign a risk level based on the TA’s potential influence on future actions, sensitivity of the context and the potential E&S footprint of services it helps develop.
4. Embed ESF requirements in ToRs: ensure that ToRs include Risk analysis for downstream E&S impacts, attention to digital inclusion, accessibility, and human rights, commitment to consultation and stakeholder engagement, requirements for data protection assessments, and screening of any future investments or systems supported by the TA.
5. Determine E&S instruments (if needed): depending on the risk level.
6. Review and record keeping: the WB will review and clear the ToRs and any proposed E&S instruments, screening will be documented as part of the ESCP.

Detailed E&S review procedures are outlined in [the DIGIT Project ESMF (Environmental and Social Management Framework)](https://digit.mzom.hr/en/about-digit-project/documents-and-acts/). [The Stakeholder Engagement Plan (SEP)](https://digit.mzom.hr/en/about-digit-project/documents-and-acts/), as an instrument defining planned stakeholder consultation and engagement process for the project, as well as the grievance mechanism for addressing concerns about the project activities, has been prepared, and it will be updated periodically as needed.

## Ethics

Every project funded by the DIGIT Project, along with all service providers, goods suppliers and contractors engaged in those projects, is obligated to respect and implement the Code of Ethics for the preparation and implementation of projects funded by the Digital, Innovation, and Green Technology Project (DIGIT Project)[[1]](#footnote-2) (hereinafter: Code of Ethics).

The Code of Ethics is aimed at ensuring that all the research and innovation activities under the DIGIT Project comply with applicable national and international laws, as well as with the following core science & research ethical principles:

1. **Honesty:** ensure honesty in all forms of scientific communication with colleagues, sponsors, and the public.
2. **Objectivity:** avoid bias in all aspects of research.
3. **Integrity:** maintain consistency of thought and action.
4. **Carefulness:** avoid errors or negligence at all times.
5. **Openness:** share information about your research and be open to criticism and new ideas.
6. **Transparency:** disclose all the necessary information needed to evaluate your research.
7. **Accountability:** be responsible for all concerns related to your research.
8. **Intellectual property:** avoid plagiarism, give proper credit to all contributions in your research and honor all forms of intellectual property.
9. **Confidentiality:** protect and safeguard all confidential information recorded in your research.
10. **Responsible publication:** publish for the sole reason of advancing the knowledge in your field.
11. **Responsible mentoring:** help and mentor other researchers and promote their welfare.
12. **Respect for colleagues:** respect and treat all your colleagues fairly.
13. **Social responsibility:** aim to promote social good through your research.
14. **Non-discrimination:** avoid discrimination in all forms against colleagues.
15. **Competence:** improve your competence and promote the competence of science as a whole.
16. **Legality:** obey all relevant laws and policies.
17. **Animal care:** respect and care for all animal species. Causing pain and discomfort to animals shall be avoided.
18. **Human subjects' protection:** respect human dignity and take special precautions wherever needed.
19. **Effectiveness:** put all efforts to reach set objectives.
20. **Efficiency:** achieve more output with less input.
21. **Economy:** put all due efforts into saving the grant funds.

While creating numerous opportunities artificial intelligence (AI) raises profound ethical concerns. Therefore, all ethics principles mentioned above require special attention from the Applicant/Beneficiary when using or developing AI systems within the project. Also, it is necessary to align with and build upon relevant EU legislation such as the Artificial Intelligence Act (Regulation (EU) 2024/1689) and corresponding guidelines, as well as the Organisation for Economic Co-operation and Development (OECD) AI Guiding Principles: <https://www.oecd.org/en/topics/ai-principles.html>.

Project must be prepared and implemented in accordance with these ethical principles. The Applicant must confirm in the application (Annex II. Declaration by the Applicant) that they are familiar with the ethical principles of this document and must undertake to act in accordance with them. The EU codes of ethics for research and development should also be considered.

During the implementation of procedures for the procurement of works, goods and services, the Beneficiary must inform bidders about the obligation to implement the Code of Ethics, and the bidders must confirm that they accept to implement the same, while sub-contractors will confirm the same to the bidders. During the implementation of the project, contracted entities and sub-contractors are obliged to act in accordance with ethical principles.

Emphasizing open science, the DIGIT Project places significant importance on the principle of open access. The Beneficiary under the DIGIT Project is expected to adhere to the commitment of providing unrestricted access to the published outcomes of their research, encompassing peer-reviewed articles and monographs.

Furthermore, the DIGIT Project advocates for open access to research data, considering it a fundamental principle. Offering free online access to all such materials is the most efficient means of ensuring that the results of its funded research are readily available, readable, and can serve as a foundation for subsequent research and development. Beneficiary of grant must guarantee open access to all peer-reviewed scientific publications linked to their outcomes.

It is also mandatory for the Beneficiary to establish a Grievance Redress Mechanism (GRM) by providing an e-mail address where the interested public, either groups or individuals, could send complaints, comments and/or suggestions. The Beneficiary must report the e-mail address of established DIGIT GRM of the MSEY at grmdigit@mzom.hr. The Beneficiary must publish an e-mail address of his own GRM on the website. Information on such received complaints, comments and suggestions (including those received by the contracted entities) should be archived in a logical framework database and reported to the DIGIT Project GRM together with information on the measures taken following to received complaints, comments and/or suggestions.

The grievances related to misconduct on the Code of Ethics will be taken further in the Ethics review procedure that focuses on the following four key areas:

* Standard setting through the design and stewardship of ethical policy, practices, decisions, and behavior, while ensuring public confidence;
* Outreach and training to strengthen WB Group values, foster a culture of respect and integrity, and build bridges between scientific research and practice in ethical development;
* Advice to applicant by sharing ethics expertise and spotting trends - providing counsel on conflicts of interest and compliance-related issues as needed;
* Addressing misconduct by reviewing concerns, recommending actions, and facilitating resolutions.

The consequences for ethics protocol violations can include the following:

* Project suspension or termination: Immediate suspension or termination of the project and funding. Also, termination of the Beneficiary's contract with the contracted parties is included.
* Legal actions: Possible legal actions against the individual or organization responsible.
* Financial penalties: Requirement to return funds received, along with possible fines.
* Reputational damage: Public disclosure of the violation, which may result in reputational harm to the individual or organization.
* Future ineligibility: Barring the individual or organization from applying for future funding under the DIGIT Project.

# Grant award process

This section provides information about submitting proposal, the stages of the assessment process, and the signing process for Grant Agreement.

The steps from project proposal submission to Grant Agreement signing are illustrated in the following chart.

*Figure 1. Grant award process*

## Submission of project proposal and assessment processes

The project proposal must be submitted online via the application portal eDIGIT available on the website <https://digit.mzom.hr/>. The Applicant must complete and submit the documentation as described in Section 9. of the Guidelines for the Applicant.

The application form is available in an online format. The Applicant must complete all required fields directly in the portal, ensuring that each section is completed in accordance with the provided guidelines. A detailed overview of the information required in the online application form can be found in Annex III. Application form of the Guidelines for the Applicant. All required supporting documents must be submitted through the eDIGIT portal.

## Assessment process

Project assessment and selection processes are detailed below. The assessment process is structured as follows:

**1. Administrative check**

The process starts with the administrative check, during which the following criteria will be assessed with a “yes” or “no” response to the criteria listed below.

Table 1. Criteria for administrative check

|  |  |  |
| --- | --- | --- |
| Criteria for administrative check | Assessment (yes/no/na) | Comment |
| The application includes an application form with all the requested sections and complies with the technical requirements[[2]](#footnote-3) defined in the Call for proposal. |  |  |
| The project proposal is submitted by an authorized person on behalf of the applicant organization or the project manager employed at the applicant organization. |  |  |
| The project proposal is written in English and in Latin script. All required documentation has been submitted in the prescribed language, as stated in the Guidelines for the Applicant. |  |  |
| The project proposal was submitted within the prescribed deadline.  |  |  |
| The application includes a signed Declaration by the Applicant, in accordance with the provided template and technical requirements. |  |  |
| The application includes statute or equivalent documents proving the status of the Applicant who are research organizations, if not publicly available. |  |  |
| The application includes proof of ownership or equivalent document proving the right to use the property, in case the Applicant is not the owner. |  |  |
| The application includes a feasibility study, with a cost-benefit analysis, in accordance with technical requirements. |  |  |

The assessment will be conducted by an Evaluation Committee (EC). If the assessment is “no” for any of the above criteria (if applicable, even after requesting clarification), **the application will be rejected**.

**2. Eligibility check of the Applicant, the project, and activities**

The purpose of this phase is to verify the compliance of the Applicant, project, and project activities with the eligibility criteria for each of the mentioned categories, as defined in the documentation of this Call.

The assessment includes giving a “yes” or “no” to the criteria listed below.

Table 2. Eligibility of the Applicant

|  |  |  |
| --- | --- | --- |
| Eligibility criteria for the Applicant  | Assessment (yes/no/na) | Comment |
| The Applicant meets the criteria of eligible applicant, as defined in the Call and is a predefined Beneficiary for the respective direct grant award.*Source of verification: Declaration by the Applicant, Application form, statute or other legal act, other available sources of information.* |  |  |
| The Applicant meets the criteria of a research organization, as defined in the Call. *Source of verification: Declaration by the Applicant, Application form, statute or other legal act, other available sources of information* |  |  |
| The Applicant is not in the following situation:* An Applicant who has not returned funds as per the decision of the competent authority, including cases where a refund has been requested due to previously received aid being declared unlawful or incompatible with the applicable regulations.

*Source of verification: Declaration by the Applicant, other available sources of information.* |  |  |
| The Applicant is not in the following situations:* If the Applicant or a person legally authorized to represent the Applicant (persons who are members of the administrative, management, or supervisory body or have the authority to represent, make decisions, or supervise the economic entity) has been finally convicted of any of the following criminal offenses or their equivalent under the laws of the country of the registered office or the country of which the person authorized to represent them is a citizen:
	+ Participation in a criminal organization, based on Article 328 (criminal association) and Article 329 (commission of a criminal offense within a criminal association) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24), Article 333 (association for the commission of criminal offenses) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Terrorism or criminal offenses related to terrorist activities, based on Article 97 (terrorism), Article 99 (public incitement to terrorism), Article 100 (recruitment for terrorism), Article 101 (training for terrorism), Article 101.a (travel for terrorism purposes), and Article 102 (terrorist association) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 169 (terrorism), Article 169.a (public incitement to terrorism), and Article 169.b (recruitment and training for terrorism) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Money laundering or terrorist financing, based on Article 98 (terrorism financing) and Article 265 (money laundering) of the Criminal Code (OG 125/2011, 144/2012, 56/2015, 61/2015, 101/2017, 118/2018, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 279 (money laundering) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Child labor or other forms of human trafficking, based on Article 106 (human trafficking) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 175 (human trafficking and slavery) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Corruption, based on Article 252 (bribery in business operations), Article 253 (bribery in business operations), Article 254 (abuse in public procurement procedures), Article 291 (abuse of position and authority), Article 292 (illegal favoring), Article 293 (acceptance of bribes), Article 294 (offering of bribes), Article 295 (trading in influence), and Article 296 (offering bribes for trading in influence) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 294.a (acceptance of bribes in business operations), Article 294.b (offering bribes in business operations), Article 337 (abuse of position and authority), Article 338 (abuse of performing duties of state authority), Article 343 (illegal mediation), Article 347 (acceptance of bribes), and Article 348 (offering bribes) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12);
	+ Fraud, based on Article 236 (fraud), Article 247 (fraud in business operations), Article 256 (tax or customs evasion), and Article 258 (subsidy fraud) of the Criminal Code (OG 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24) and Article 224 (fraud), Article 293 (fraud in business operations), and Article 286 (tax and other levies evasion) of the Criminal Code (OG 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08, 57/11, 77/11, 143/12).
* In case the Applicant or a person legally authorized to represent the Applicant has been found guilty of serious professional misconduct.
* The Applicant is knowingly or negligently in a conflict of interest in the subject grant award procedure.
* The Applicant has not paid salaries to employees, made contributions for mandatory insurance (particularly health or pension), or paid taxes in accordance with regulations.

*Source of verification: Declaration by the Applicant, other available sources of information.* |  |  |
| The Applicant has not provided false information within the project proposal.*Source of verification: Declaration by the Applicant, other available sources of information.* |  |  |

Table 3. Eligibility of the project and activities

|  |  |  |
| --- | --- | --- |
| Eligibility criteria for the project and activities | Assessment (yes/no) | Comment |
| The project proposal is aligned with the objective of the Call and contributes to the results framework of the Call (ToC).*Source of verification: Application Form.* |  |  |
| The project proposal is planned to be implemented in an eligible geographical area, specifically within the territory of the Republic of Croatia.*Source of verification: Application Form.* |  |  |
| A project team is planned in the project proposal.*Source of verification: Application Form.* |  |  |
| The amount of requested grant is within the prescribed allowable amount of grant funds.*Source of verification: Application Form.* |  |  |
| The Applicant confirmed in their Declaration that:* the project proposal is neither physically nor financially completed, nor will it be completed before the signing of the Grant Agreement;
* the project proposal is ready for the start of the activities, with an anticipated duration of up to 36 months, ensuring that all activities and payments are completed by October 31, 2028;
* the project proposal respects the principle of non-cumulativeness, i.e. it does not represent double financing.
* The funds allocated under this Call for proposal will not be used for economic activities.
* The applicant will separate economic and non-economic activities, if applicable, in accordance with the principles outlined in the European Commission’s Framework for State Aid for Research and Development and Innovation (2022/C 414/01). If the applicant engages in economic activities consisting of offering products or services on a specific market, these activities will not exceed 20% of the total annual capacity of the research organization.
* After the project implementation and until the end of the depreciation period of the acquired equipment, the applicant will submit financial reports demonstrating the separate financing, costs, and revenues of economic and non-economic activities (if applicable).
* During the same post-implementation period, the applicant will submit capacity use reports, in accordance with the monitoring requirements defined under the Call.

*Source of verification: Declaration by the Applicant*  |  |  |
| The project is implemented at a location that is either owned by the Applicant or for which the Applicant holds the right of use of the property.*Source of verification:* *Proof of ownership or equivalent document proving the right to use the property* |  |  |
| The activities listed in the project proposal are eligible, as defined in the Call for proposal.*Source of verification: Application form*  |  |  |
| The feasibility study with cost-benefit analysis (CBA) is prepared in line with the guidelines of European Commission, aligned with the eligible activities, costs, and objectives of the Call, and clearly demonstrate the technical, financial, and economic viability of the project.*Source of verification: Feasibility study with cost-benefit analysis* |  |  |
| The Applicant has defined methodology for capacity measurement in accordance with Annex D. Guidelines related to the application of state aid rules. *Source of verification: Application form* |  |  |
| The project activities are neither listed on the International Finance Corporation (IFC) exclusion list of activities, nor otherwise excluded by the ESMF as described in Annex I. Conditions for the preparation and implementation of projects within the DIGIT Project.*Source of verification: Application Form, Declaration by the Applicant.* |  |  |
| The project proposal is in accordance with Horizontal principles and Ethics as described in Annex I. Conditions for the preparation and implementation of projects within the DIGIT Project.*Source of verification: Application Form, Declaration by the Applicant.* |  |  |
| The project proposal complies with the environmental and social conditions outlined in Section 1.4 of Annex I. Conditions for the preparation and implementation of projects within the DIGIT Project.*Source of verification: Application Form, Declaration by the Applicant.* |  |  |

The assessment will be conducted by the EC. If the assessment is “no” for any of the above criteria (if applicable, even after requesting clarification), **the application will automatically be rejected**.

**3. Quality assessment**

A quality assessment will be conducted for project proposal that pass the administrative and eligibility checks.

The quality assessment will rely on three main selection criteria, (i) Excellence, (ii) Potential, and (iii) Feasibility and sub-criteria defined in table below.

Table 4. Quality assessment criteria

|  |  |
| --- | --- |
| Excellence |  |
| Sub-criteria | **Description** | **Assessment****(YES/NO/NA)** | **Comment** |
| Scientific dimension (scientific and technological excellence)  | The Applicant has clearly described how the investment in research infrastructure will contribute to strengthening scientific and technological excellence in the relevant field(s). The Applicant has explained how the upgraded or newly established infrastructure will support advanced research activities, foster innovation, and enhance the capacity to generate new scientific knowledge. The expertise, qualifications, and scientific track record of the research team are detailed, demonstrating their ability to deliver high-quality outputs and to align research objectives with the strategic goals of the project. The proposal indicates how the project will enable progress beyond the current state-of-the-art and facilitate successful technology transfers, intelectual property applications, and scientific publications. The relevance and strategic value of the infrastructure in enabling high-quality research, development, and innovation (RDI) has been appropriately justified. |  |  |
| Cooperation  | The Applicant has described how the newly developed research infrastructure will facilitate cooperation between institutions, sectors, or disciplines. The cooperation model is clearly explained, including its structure, added value, and relevance for the implementation of RDI activities. The roles, responsibilities, and complementarities of the involved entities are well defined. The proposal outlines how the infrastructure will act as a platform for interdisciplinary collaboration, knowledge exchange, and joint use of resources. Furthermore, the Applicant has justified how the cooperation model will contribute to more effective achievement of the project’s objectives and increase its long-term impact. |  |  |
| Internationalization | The Applicant has described how the project will contribute to strengthening its international visibility, connectivity, and integration. The proposal presents clear plans for international collaboration, participation in cross-border or EU-level RDI initiatives, and activities aimed at attracting international researchers and institutional partners. It is assessed whether the infrastructure is likely to support researcher mobility, facilitate access by foreign institutions, and enable engagement in international research networks. The Applicant has identified, where applicable, existing or planned collaborations with leading international institutions or programmes (such as Horizon Europe, Teaming for Excellence, ERA, COST, or EIT). The proposal provides justification of how the international dimension will enhance research quality, capacity building, and the long-term sustainability of the Applicant. |  |  |

|  |  |
| --- | --- |
| Potential |  |
| Sub-criteria | **Description** | **Assessment****(YES/NO/NA)** | **Comment** |
| Strategic dimension | The Applicant has clearly demonstrated how the project aligns with national, EU, and institutional strategic priorities, including the S3, NDS 2030, and relevant EU-level initiatives such as Horizon Europe Teaming. The proposal provides justification of the strategic importance of the infrastructure investment. The extent to which the project contributes to positioning Croatia as a relevant and competitive actor in the field of maritime robotics and sustainable blue economy technologies is taken into account. The level of alignment with strategic documents and the long-term value of the investment for the national research and innovation ecosystem are considered in the assessment. |  |  |
| Socio-economic dimension | The proposal demonstrates how the project is expected to generate broader socio-economic benefits beyond the immediate scope of research activities. Anticipated contributions to economic growth, job creation, and social inclusion are clearly outlined. The potential of the project to strengthen public–private cooperation, support the innovation ecosystem, and facilitate technology transfer and commercial exploitation of research results is described. Where applicable, the project’s contribution to talent attraction, retention, and development is explained, with emphasis on enhancing human capital and improving career opportunities for young researchers and highly skilled professionals. The proposal outlines how the investment may support institutional resilience, promote cross-sectoral innovation, and align with national and EU strategic priorities, particularly those related to sustainable and inclusive development. |  |  |

|  |  |
| --- | --- |
| Feasibility |  |
| Sub-criteria | **Description** | **Assessment****(YES/NO/NA)** | **Comment** |
| Project management | The proposal provides a clear description of the project management structure established for the implementation of the project. The roles and responsibilities of individual project team members are outlined, including their relevant experience and qualifications. The decision-making processes are described, with emphasis on their practical application to ensure effective and timely implementation. The organizational setup is assessed in terms of its suitability for the complexity and scale of the proposed investment, as well as its capacity to support coordination, oversight, and accountability. The Applicant's institutional and administrative capacities for managing key project functions, such as financial management, procurement, reporting, and risk mitigation, are explained. The proposal addresses how internal coordination will be ensured, how progress will be monitored, and how any implementation challenges will be managed throughout the project lifecycle. |  |  |
| Beneficiary strategy and access policy | The proposal provides a clear long-term development strategy for the research infrastructure beyond the project duration. It outlines how the infrastructure will be sustainably maintained, upgraded, and managed to ensure continued relevance, accessibility, and effective use over time. The approach to ensuring access for a broad range of internal and external users, including academic, public, and private sector stakeholders, is described, with a focus on relevance, openness, and inclusiveness. An access policy is presented or foreseen, and is described as open, transparent, and non-discriminatory, aimed at promoting wide usage and fostering scientific, technological, and socio-economic impact. The proposal includes measures to ensure the sustainability of project results, including financial, institutional, and operational arrangements. These measures are linked to the achievement of outcome and impact indicators and may involve cost recovery, strategic partnerships, capacity building, and mechanisms for monitoring and managing access to the infrastructure.  |  |  |
| Risk monitoring and management | The proposal identifies and describes key risks that could affect project implementation, including technical, financial, operational, environmental, and social risks. The risk assessment is comprehensive and proportionate to the project’s complexity and scope. A structured overview of critical risks is provided, along with clearly defined mitigation measures and contingency planning. The risk management approach demonstrates the Applicant’s capacity to anticipate, monitor, and address implementation challenges effectively. The inclusion of a risk table outlining each identified risk, its likelihood and impact, and the corresponding mitigation actions supports a transparent and systematic risk management process. The proposed measures are adequate to ensure continuity, compliance, and timely delivery of project activities. |  |  |

The project proposal will be evaluated by the evaluators which will assess the project proposal based on the published criteria. The quality assessment will be coordinated by the members of the EC, who will ensure consistency and compliance with the quality assessment criteria.

**To be considered eligible for financing, the project proposal must be positively assessed (must receive “yes”) on all sub-criteria.**

**4. Eligibility of costs and budget cleaning**

Cost eligibility verification involves reviewing the project budget and comparing proposed cost items against the eligibility criteria specified in the Call. The budget cleaning process includes excluding costs that are deemed ineligible, not aligned with the project’s objectives, or unrealistic in their amount. The process will be conducted by the EC.

Table 5. Eligibility of costs and budget cleaning

|  |  |  |
| --- | --- | --- |
| Eligibility criteria for costs and budget cleaning | Assessment (yes/no) | Comment |
| The costs listed in the project proposal and budget are eligible, as defined in the Call. |  |  |
| The costs are determined in accordance with the purpose of the project, and their amounts are proportionate to the project's purpose and based on realistic prices. |  |  |
| After the process of verifying the eligibility of costs, and if necessary, excluding ineligible costs, the purpose and goal of the project remain unquestionable (if applicable). |  |  |
| After the process of verifying the eligibility of costs, and if necessary, excluding ineligible costs, the project proposal still meets the eligibility criteria related to the amount of funds as specified in the Call. |  |  |

## Grant Agreement signing

Following an Award decision on funding, the MSEY/PIU extends an invitation to the applicant to sign the Grant Agreement.

After agreeing to the terms of the Grant Agreement (Annex A. of this document), the MSEY signs the Grant Agreement with the Beneficiary.

# Procedures of project implementation management

This section provides information about monitoring during project implementation, procurement, payments, and disbursements of project funds, information and visibility measures, and grant refunds.

## Monitoring during project implementation

After the Grant Agreement is signed, the MSEY monitors whether the project is on track to achieve the established goals and results, whether its implementation aligns with the Grant Agreement, as well as the fulfillment of indicators.

The monitoring process includes activities such as:

* review and approval of the procurement plan (and modification, if any);
* review and approval of the requests for advance payments (if any);
* review and approval of the semi-annual and final reports;
* preparation of addendums to the Grant Agreement;
* verification of compliance with rules on sustainable development, and requirements related to equal opportunities and non-discrimination;
* review and verification of compliance with WB ESF as elaborated in the ESMF, SEP and project-level ESCP;
* verification of compliance with rules on information and visibility (publicity); and
* on-site visits.

The MSEY/PIU will monitor project progress, including monitoring of irregularities.

## Procurement

During project implementation, the Beneficiary must comply with the procurement procedures outlined in this document and ensure compliance with all established principles and rules. The DIGIT Project PIU will provide support to the Beneficiary in fulfilling these procurement obligations.

All procurement procedures carried out within the framework of the notified project, and before the date of entry into force of the Grant Agreement, must comply with the principles and rules prescribed in this document, in order to be considered acceptable.

Procurement of contracts for goods, works, non-consulting and consulting services financed from the DIGIT Project will be carried out in accordance with the WB Procurement Regulations for Investment Project Financing (IPF) Borrowers – Procurement in IPF of Goods, Works, Non‐Consulting and Consulting Services, (Regulations), Fourth Edition of November 2020. The WB’s procurement framework effective as of July 1, 2016 governs procurement under the DIGIT Project, respectively procurement under the various programs and grants.

Effective from July 1, 2023, the Procurement Thresholds for Croatia are as follows:

Table 6. Thresholds for procurement approaches and methods in US$ thousands

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Country | Works Open International | Works Open National < | Works RFQ< | Goods, IT, Non-consultancy Open International< | Goods, IT, NC, Open National < | Goods, IT, NC RFQ< | Shortlist of National Consultants < |
| Croatia | 50,000 | 50,000 | 500 | 30,000 | 30,000 | 200 | 500 |

Contracts for selection of consultants will follow the selection methods according to the applicable Procurement Regulations. Contracts for consulting services estimated to cost less than US$ 300,000 may follow the procedure Consultants’ Qualifications-based Selection (CQS) according to pars 7.11-7.12.

In accordance with the Procurement Regulations (par. 5.4 c.) and the Loan Agreement, the WB requires compliance with its Anti-Corruption Guidelines, including the Bank’s right to sanction, inspect, and audit. Bidders/Proposers must submit a signed acceptance at the time of bidding, confirming adherence to these guidelines, which will be incorporated into any resulting contract. The form of Letter of Acceptance of the WB’s Anti-Corruption Guidelines and Sanctions Framework is included in Annex B. of this document.

The MSEY/PIU will provide the WB with the list of contractors/suppliers and subcontractors/sub-suppliers under these contracts so that the Bank can ensure that the chosen firms are not and were not at the time of contract award or signing on the WB’s List of Debarred Firms. Contracts awarded to firms debarred or suspended by the WB (or those involving debarred or suspended subcontractors/sub-suppliers) will not be eligible for the WB’s financing.

The Beneficiary have obligations concerning the implementation of procurement procedures within the project. The first obligation after the Grant Agreement signing is to prepare a procurement plan (Annex C. of this document). The procurement plan contains information on all planned procurements within each project, i.e. those that are related to eligible costs as outlined in the Grant Agreement. The procurement plan review process includes, among other things, verifying that:

* the planned procurement value and the procurement subject correspond to the project budget and the provisions of the Grant Agreement;
* all necessary procurements resulting from the project, regardless of the estimated value, are included in the procurement plan;
* are the planned procurement start dates are realistic and correspond with the project implementation period;
* there is sufficient justification for the chosen procurement procedure and that the appropriate procurement procedure has been correctly selected.

The Beneficiary is obliged to inform the MSEY about any changes to the procurement plan.

## Reporting, on-site visits and record keeping

During the execution of the Grant Agreement, the Beneficiary submits the following reports to the MSEY: quarterly (progress) reports and final report. The request for interim payment is part of the quarterly (progress) report, while the request for final payment is part of the final report. Request for advance payment can be submitted after the signing of the Grant Agreement and is not part of the reports. The Beneficiary shall use templates for reports and requests for advance payment provided by the MSEY after Grant Agreement is signed. E&S compliance reporting will be carried out in line with ESCP requirements and ESMF guidelines. The reports should contain a summary of complaints or suggestions received through the GRM, along with details of their resolution. The reports should also include information on stakeholder engagement and information disclosure.

**Request for advance payment**

The Beneficiary has the right to claim an advance payment as specified by the Grant Agreement. Upon receipt of the request for advance payment from the Beneficiary, the MSEY assesses the request and informs the Beneficiary of the outcome. If the request is accepted, an advance payment is prepared. In case of rejection of the request, the Beneficiary is provided with an explanation.

**Quarterly (progress) reports and final report**

The Beneficiary is required to report on the project’s implementation status (narrative part) and incurred eligible costs within the deadlines specified in the Grant Agreement. These reports include quarterly (progress) reports and a final report. The MSEY is responsible for reviewing and approving these reports, and the continuation of project implementation is conditional upon their approval.

All the costs must comply with the rules on eligibility and must adhere to national legislation and audit requirements. All the supporting documents that justify the incurred costs, for example, procurement contracts (adaptation works, goods and services) (and amendments, if any) with invoices from contractors and suppliers, service providers, acceptance certificates, lists and other documents proving the acceptability of costs (proof of publicity activities such as articles, photos, etc.), list of participants, studies, certificates, etc.), must be provided for verification within reports.

For the final report, Beneficiary will need to provide evidence that all planned activities and expected outcomes outlined in their application have been completed in a full and satisfactory manner.

**Approval of the technical (design) documentation**

Upon completion of the technical (design) documentation, and before final approval of relevant authorities, the Beneficiary needs to submit the full documentation to MSEY, with the request for approval. The documentation must include all relevant designs, permits (if applicable), and any other relevant documentation in accordance with applicable legislation and regulations. MSEY will engage experts to assess the technical adequacy of the documentation, including compliance with technical requirements, cost eligibility, environmental, social, and safety standards, and alignment with the project’s objectives.

If the documentation does not meet the required standards, the Beneficiary will be requested to provide corrections or additional clarifications within a defined deadline. Only after the completion of the expert review and the incorporation of any required modifications or supplements by the Beneficiary, MSEY will issue the approval of the technical (design) documentation. The procurement of works and equipment may not commence prior to such approval.

**Post-implementation report**

After the completion of project implementation, the Beneficiary is required to submit annual reports for a period of five years. Each report must be delivered within 30 calendar days following the end of every one-year period, counted from the date of final payment disbursement.

**On-site visits**

On-site visits include verification of project activities and costs for which, in addition to administrative verification, it is also possible to verify the progress of physical indicators. Such visits shall be conducted upon the assessment of MSEY and/or the WB, in accordance with the project’s implementation progress.

The goal of on-site visits is to verify the actual implementation of the project, i.e. the costs and deliveries, and to obtain information that supports the conclusions of the administrative check, i.e. to provide a guarantee of the regularity and legality of the costs.

**Record keeping**

For the purpose of project audit and controls after project completion, Beneficiary is obliged to keep original documents related to project expenses and implementation of activities for at least five years after the final payment, unless a longer retention period is required by national legislation.

## Payments of project funds

Payments are made by the MSEY after the approval of Beneficiary's requests for advance, interim, or final payments.

**Advance payment**

After the Grant Agreement is signed, the Beneficiary may request an advance payment of up to 30% of the total grant amount. The advance payment will be made following approval of the request for advance payment and no later than 30 days from the date of approval. The MSEY reserves the right to approve or deny the request, and if denied, an explanation will be provided. The advance payment must be justified by the final payment.

**Interim payments**

Interim payments are issued following the approval of quarterly (progress) reports. These payments will be made within 30 days of the report’s approval. Beneficiary are required to submit quarterly (progress) reports within 15 days after the end of each three-month period, starting from the date the Grant Agreement was signed. If necessary, the Beneficiary may be requested to submit reports more frequently than on a quarterly basis (e.g., monthly), depending on the specific needs and requirements identified during project implementation.

All payments must align with the budget plan and be approved by the MSEY. The Beneficiary can choose whether to claim costs by reimbursement method, payment method, or a combination of both.

Payment method: Payments can be made to the Beneficiary’s account based on the submitted request for payment after the costs are approved by the MSEY. All requested payments must align with the accepted budget plan and be supported with relevant financial documentation. The Beneficiary is obligated to provide proof of payment for the listed costs within 10 days after receiving the grant.

Reimbursement method: Reimbursements for incurred expenses can be made after the Beneficiary submits request for payment with the proof that all listed payments have been conducted. All payment requests should be submitted with supporting documentation.

**Final payment**

The final report has to be submitted within 30 days from the end of the project implementation period. The final payment will be made following approval of the final report and no later than 30 days from the date of approval. Final payment can only be made using the reimbursement method. Its amount of will depend on the remaining financing balance based on the eligible costs incurred, as documented in the final report. In the event that the project’s incurred eligible costs are lower than the payments made so far, the MSEY will request the return of the unused funds.

All payments shall be made from MSEY to Beneficiary’s bank account or to designated account that will be used exclusively for financing the activities stipulated in the Grant Agreement.

Commitments and payments will be carried out in euros (EUR).

Unaddressed and/or repeated non-compliance with ESF, ESMF and/or E&S instrument requirements and measures may trigger payment suspension, and in the worst case, cancellation.

**Accounting policies**

The documentation for all financial transactions from grant must be kept by Beneficiary in accordance with the requirements of the national legislation and will reflect proper identification of costs.

The costs must be able to be determined, verified and recorded in the accounting records of the Beneficiary, and must be determined in accordance with the applicable accounting standards and the usual accounting practice.

The Beneficiary is obliged to ensure that the requests for advance, interim and final payment and other financial data related to the project can be easily and accurately reconciled with his accounting records.

**Audit and control**

The MSEY/PIU can hire an independent audit company that will review the implementation of grant-related procedures.

The costs must be able to be identifiable, verifiable and recorded in the Beneficiary’s accounting records, following applicable accounting standards and the usual accounting practice.

The Beneficiary is obliged to ensure that the requests for advance, interim and final payment, as well as other financial data related to the project can be easily and accurately reconciled with their own accounting records.

## Information and visibility of project and dissemination of results

The Beneficiary must undertake measures (e.g. announcements and press releases, notice boards, stickers, promotional material, etc.) to inform the public that their project is financed through the Loan Agreement (Loan No. 9558-HR) for the Digital, Innovation, and Green Technology Project (DIGIT Project).

The Beneficiary must enable MSEY/PIU and other authorized auditors/external persons to conduct necessary controls, including reviewing documents, making of relevant records, on-site visits, project monitoring, and a full audit procedure if required. This includes providing documents for invoices, accounting documentation and any other documents relevant to project financing.

Depending on applicability, the results of the project should be communicated through various platforms to ensure maximum outreach and impact:

* Conferences: Presenting results at national and international conferences can facilitate networking with other stakeholders, allowing for valuable feedback and collaborations that may enhance the project's reach and applicability.
* Publications: Publishing results in academic journals, especially peer-reviewed ones, ensures credibility and broad dissemination within the scientific community, influencing future research and practices.
* Public access repositories: Placing research outcomes in public access repositories makes them accessible to a wider audience, adhering to open science principles and enhancing transparency and reproducibility.
* Free and open-source computer programs: If applicable, releasing any developed software or algorithms as free and open source can foster a community of users and developers who can further refine and expand upon the project's technological outputs.
* Newspapers, TV, or other media: The Beneficiary must report any public presentation of the project and its results in newspapers, TV, or other media outlets as part of the semi-annual (progress) reports and final report.

These dissemination strategies ensure that the project's impacts are widely understood and accessible, contributing to knowledge expansion and practical application in related fields.

## Grant refunds

The MSEY may suspend or terminate the right of the Beneficiary to use the proceeds of the grant or obtain a refund of all or any part of the amount of the withdrawn grant if the Beneficiary’s fails to perform any of its obligations under the Grant Agreement.

# Annexes

## Annex A. Template of a Grant Agreement

**GRANT AGREEMENT**

**[*reference number of the Grant Agreement*]**

**[*Name of the Project*]**

**CALL FOR PROPOSAL FOR THE DIRECT AWARD**

**RENOVATION AND EQUIPPING OF THE HEADQUARTERS AND OPEN LABORATORIES (CoE MARBLE HQ)**

**Reference of the Call: DIGIT.1.1.03**

**Name of the Program**: **Research, technology, and innovation infrastructure projects program**

**Ministry of Science, Education and Youth** (hereinafter: MSEY) as the authority responsible for the implementation of the Digital, Innovation, and Green Technology Project (hereinafter: DIGIT Project), OIB: 49508397045, Donje Svetice 38, 10 000 Zagreb,

and

**BENEFICIARY**

*<Full official name, OIB and address of the Beneficiary>*

*<financial institution holding the Beneficiary bank account and bank account number>*

(hereinafter: Beneficiary)

(hereinafter: Contracting Parties) have agreed as follows:

**Purpose**

**Article 1.**

1. The purpose of this Grant Agreement (hereinafter: Agreement) is to award grant to the Beneficiary for the purpose of implementing the Project <Project name> (hereinafter: Project) described in <Annex 1. Application form> of this Agreement (hereinafter: Annex 1).
2. Grant is awarded to the Beneficiary in accordance with the conditions set forth in this Agreement, including the Grants Operations Manual dated May 23, 2024 and its amendments, published at: <https://mzom.gov.hr> and <https://digit.mzom.hr/>, as set forth in the Loan Agreement (Loan No. 9558-HR) between the Republic of Croatia and the International Bank for Reconstruction and Development, which is part of the World Bank Group (hereinafter: WB) for the DIGIT Project. The Beneficiary hereby declares that he has taken full note of the terms of the Agreement, and that he has understood and accepted them.
3. The Beneficiary undertakes to implement the Project in accordance with the description and scope of the Project as specified in the terms of this Agreement and <Annex 1>, and any approved subsequent amendments to the Agreement.

**Rights of the MSEY**

**Article 2.**

1. The MSEY may suspend or terminate the right of the Beneficiary to use the proceeds of the Grant, or obtain a refund of all advances that have not been used for eligible expenditures or any part of the amount of the Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under this Grant Agreement.

**Implementation of the Project**

**Article 3.**

1. This Agreement takes effect on the day it is signed by the last Contracting Party and is effective until all the rights and obligations of the Contracting Parties have been fulfilled, or until the date of termination of the Agreement.
2. The Project implementation period is from <…> to <…>.
3. The period of eligibility for Project costs is from <…> to <…>, unless an extension is communicated in writing to the Beneficiary by MSEY.
4. The Beneficiary undertakes to:
	* 1. carry out the Project in accordance with the Call for proposal for the direct award for project Renovation and equipping of the headquarters and open laboratories (CoE MARBLE HQ), Reference of the Call: DIGIT.1.1.03**,** with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards (including any documents required under the Environmental and Social Management Framework (ESMF), Stakeholder Engagement Plan (SEP), and Environmental and Social Commitment Plan (ESCP) and practices satisfactory to the WB, including in accordance with the applicable provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016, and without limitation the World Bank’s right to sanction and the World Bank’s inspection and audit rights;
		2. submit to the MSEY regular (progress reports and final report) and, upon a request by MSEY, ad hoc reports on the implementation of the Project, achievement of indicators, horizontal issues or other information necessary for reporting or implementation;
		3. submit to the MSEY an annual post-implementation report after the completion of project implementation, for a period of five years. Each report must be submitted within 30 calendar days following the end of each one-year period, counted from the date of the final payment disbursement.
		4. procure the goods, works and services to be financed out of the grant in accordance with the provisions of the Annex 5. Conditions for the preparation and implementation of projects within the DIGIT Project which is part of the Call for proposal for direct award – DIGIT.1.1.03, in cooperation with the DIGIT PIU;
		5. maintain policies and procedures adequate to enable it to monitor the progress of the Project and the achievement of its objectives;
		6. (a) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and (b) at the MSEY request, have such financial statements audited by independent auditors acceptable to the WB and promptly furnish the statements as so audited to the MSEY; and
		7. prepare and furnish to the MSEY all such information as the MSEY shall reasonably request relating to the foregoing.
5. The Beneficiary may lose the right to grant funds, that is, the MSEY may terminate the Agreement with the Beneficiary if the Beneficiary's actions or failure to act did not result in disbursement of funds based on the Agreement, within four (4) months from the date of its signing.
6. Amendments to the Agreement agreed upon by all Contracting Parties are compiled in the form of a written addendum to the Agreement, which is signed by all Contracting Parties. The Agreement cannot be modified for a purpose or with an effect that would call into question the conditions of eligibility and the contribution to achieving the project's objectives, and that would affect significant changes within the evaluation process that was carried out, as well as compliance with the principle of equal treatment.

**Grant amount and arrangement of payments**

**Article 4.**

1. The total value of the Project is determined in the amount of EUR <...>.
2. The total eligible costs of the Project amount to EUR <…>, as set out in Annex 1.
3. As part of the Project, eligible costs are those costs approved by the MSEY as part of the Call for direct award - DIGIT.1.1.03.
4. Grant is awarded in the amount of EUR <...>, which is the highest possible amount of financing of the total determined value of the eligible costs of the Project specified in paragraph 2. of this article.
5. The Beneficiary is obliged to provide funds for the difference between the total value of the project and the allocated grant.
6. The Beneficiary is obliged to provide funds to cover costs that are subsequently determined to be ineligible.
7. The Beneficiary has the right to request an advance payment. The total amount of the advance cannot be higher than 30% of the approved grant.
8. Interim payments shall be made following the approval of project quarterly reports (progress reports) and no later than 30 days from the date of approval. Reports should be submitted within 15 days from the end of every three months from the conclusion of this Agreement. If necessary, the Beneficiary may be requested to submit reports more frequently than on a quarterly basis (e.g., monthly), depending on the specific needs and requirements identified during project implementation.
9. The final report has to be submitted within 30 days from the end of the project implementation period. The final payment will be made following approval of the final report and no later than one month from the date of approval. The amount of the final payment will depend on the remaining amount for financing with regard to the realized eligible costs, and as recorded in the final report. In the event that the project’s realized eligible costs are lower than the payments made so far, the MSEY will request the return of the unused funds.
10. The Beneficiary can choose whether to claim expenses by reimbursement method, payment method or by a combination of the mentioned methods, excluding the final report (only reimbursement method).
11. If the Beneficiary does not act in accordance with the decision ordering the return of funds, and/or the Beneficiary's bank account is blocked due to forced collection of claims, further payments to the Beneficiary are suspended.

**Ineligible costs**

**Article 6.**

1. Ineligible costs are all expenses listed as ineligible in the evaluation of the acceptability of expenditures within Call for proposal for direct award – DIGIT.1.1.03, including all expenses that are not consistent with the terms and conditions of this Agreement.

**Project assets management and contract transfer**

**Article 7.**

1. The property acquired in the Project must be used in accordance with the description of the Project contained in Annex 1. of this Agreement and in accordance with the durability requirements.

**Other conditions**

**Article 8.**

1. The Beneficiary is obliged to keep documentation related to the Project for five (5) years after the final payment.
2. The Beneficiary is obliged to achieve the indicators specified in Annex 1. of this Agreement.
3. The Beneficiary undertakes upon completion and within five (5) years after the implementation of the project to participate in surveys and to give consent for the use of collected data to evaluate the impact of the implementation.
4. MSEY can check the accuracy of the data specified in the Project proposal at any stage of the Project implementation.
5. Financial corrections related to the non-achievement of the indicators as listed in Annex 1. of this Agreement will not be applied if they were achieved due to the occurrence of force majeure, socio-economic or environmental factors, i.e., the occurrence of important changes in economic or environmental conditions in the country, which affected achievement of Project indicators. The competent authority evaluates each specific case and determines the realization of the mentioned factors, as well as the possibility of achieving the given indicators.
6. MSEY can perform monitoring visits (on-site visits). The MSEY shall notify the Beneficiary in advance about the monitoring visit. Monitoring visits will typically include a review of Project implementation (e.g. procedures, milestones with measurable results, timelines, tasks, agreements, policies, and financial documentation, etc.) as well as in-person meetings with relevant project team members. At the end of each monitoring visit, the MSEY will discuss findings from the meeting with relevant project team members and clarify which corrective actions to pursue after the visit, if any. If the monitoring visit has identified any concerns, the Beneficiary will be required to correct these deficiencies within the agreed timelines. Further payments shall depend on the severity of the problem, and it will be suspended until the deficiencies are corrected. Nonetheless, the MSEY reserves the right to conduct ad hoc monitoring visits, if deemed necessary.

**Communication of the Contracting Parties**

**Article 9.**

1. The Beneficiary and the MSEY use e-mail communication during implementation and the defined reporting period after the implementation of the Project. In every type of communication-related to this Agreement, the reference number of the Agreement (Project code) is indicated.

**Annexes**

**Article 10.**

1. The following annexes are an integral part of the Agreement, and the Contracting Parties hereby confirm that they have understood and, by signing the Agreement, accept them:
2. Annex 1. Application form
3. Annex 2. Declaration by the Applicant
4. Annex 3. Conditions for the preparation and implementation of projects within the DIGIT Project
5. <Annex 4. Call for Proposals for the direct award Renovation and Equipping of the Headquarters and Open Laboratories (CoE MARBLE HQ)>

**Final provisions**

**Article 11.**

1. This Agreement is made in two identical copies, each with the power of the original, of which each Contracting Party retains one copy.

|  |  |
| --- | --- |
| **For the Ministry of Science, Education and Youth** | **For the Beneficiary:** |
| Name: |  | Name: |  |
| Function: |  | Function: |  |
| Signature: |  | Signature: |  |
| Date:Class:Registry number: |  | Date: |  |

## Annex B. Letter of Acceptance of the World Bank’s Anticorruption Guidelines and Sanctions Framework

**LETTER OF ACCEPTANCE OF THE WORLD BANK’S ANTICORRUPTION GUIDELINES AND SANCTIONS FRAMEWORK**[[3]](#footnote-4)

Date:

Contract # \_\_\_\_\_\_\_\_\_

Contract Description:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

To: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

We, along with our sub-contractors, sub-consultants, service providers, suppliers, agents (whether declared or not) consultants and personnel, acknowledge and agree to abide by the World Bank’s policy regarding Fraud and Corruption (corrupt, fraudulent, collusive, coercive, and obstructive practices), as set out and defined in the World Bank’s Anti-Corruption Guidelines[[4]](#footnote-5) in connection with the procurement and execution of the contract described above (“the Contract”), including any amendments thereto.

We declare and warrant that we, along our sub-contractors, sub-consultants, service providers, suppliers, agents (whether declared or not), consultants and personnel, are not subject to, and are not controlled by any entity or individual that is subject to, a temporary suspension, early temporary suspension, or debarment imposed by a member of the World Bank Group, including, inter alia, a cross-debarment imposed by the World Bank Group as agreed with other international financial institutions (including multilateral development banks), or through the application of a World Bank Group finding of non-responsibility on the basis of Fraud and Corruption in connection with World Bank Group corporate procurement.

We confirm our understanding of the consequences of not complying with the World Bank’s Anti-Corruption Guidelines, which may include sanctions, pursuant to the Bank’s Anti-Corruption Guidelines and in accordance with its prevailing sanctions policies and procedures as set forth in the Bank’s Sanctions Framework. This may include a public declaration of ineligibility, either indefinitely or for a stated period of time, (i) to be awarded or otherwise benefit from a Bank-financed contract, financially or in any other manner;[[5]](#footnote-6) (ii) to be a nominated[[6]](#footnote-7) sub-contractor, sub-consultant, consultant, manufacturer or supplier, or service provider of an otherwise eligible firm being awarded a Bank-financed contract; and (iii) to receive the proceeds of any loan made by the Bank or otherwise to participate further in the preparation or implementation of any Bank-financed project.

We understand that we may be declared ineligible as set out above upon:

1. completion of World Bank Group sanctions proceedings according to its prevailing sanctions procedures;
2. cross-debarment as agreed with other international financial institutions (including multilateral development banks);
3. the application of a World Bank Group finding of non-responsibility on the basis of Fraud and Corruption in connection with World Bank Group corporate procurement; or
4. temporary suspension or early temporary suspension in connection with an ongoing World Bank Group sanctions proceeding.]

We shall permit, and shall cause our sub-contractors, sub-consultants, agents (whether declared or not), personnel, consultants, service providers or suppliers, to permit the Bank to inspect[[7]](#footnote-8) all accounts, records, and other documents relating to the procurement process and/or Contract execution , and to have them audited by auditors appointed by the Bank.

We agree to preserve all accounts, records, and other documents (whether in hard copy or electronic format) related to the procurement and execution of the Contract.

Name of the Contractor:

Name of the person duly authorized to sign the Contract: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title of the person signing the Letter:

## Annex C. Procurement plan



## Annex D. Guidelines related to the application of state aid rules

The purpose of this Annex is to inform the Applicant about the state aid rules applicable to the area of research, development, and innovation. Applicant is encouraged to study these Guidelines in order to understand the concept of state aid, and which rules must be followed by state aid Beneficiary – entrepreneurs, and which rules apply to research organizations, so that the funds allocated under this Call do not constitute state aid.

The Guidelines are based on the provisions of the - Communication from the Commission - Framework for State Aid for Research and Development and Innovation[[8]](#footnote-9) (2022/C 414/01) (hereinafter: Framework) which sets out detailed rules regarding the existence of state aid in research and development projects, and the Commission Regulation (EU) No. 651/2014 of 17 June 2014 on the assessment of certain categories of aid compatible with the internal market in application of Articles 107 and 108[[9]](#footnote-10), Commission Regulation (EU) No. 2017/1084 of 14 June 2017 amending Regulation (EU) No. 651/2014 in relation to aid for port and airport infrastructure, thresholds for aid applications for culture and heritage conservation, and for aid for sports and multi-purpose recreational infrastructure, and regional operational aid programs for the outermost regions, and amending Regulation (EU) No. 702/2014 concerning the calculation of eligible costs[[10]](#footnote-11), Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No. 1407/2013 regarding its extension and amending Regulation (EU) No. 651/2014 concerning its extension and related adjustments[[11]](#footnote-12), Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No. 651/2014 on the assessment of certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty[[12]](#footnote-13), and Commission Regulation (EU) 2023/1315 of 23 June 2023 amending Regulation (EU) No. 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty[[13]](#footnote-14).

The concept of state aid requires that the following four criteria be cumulatively met[[14]](#footnote-15):

1. The funds are granted by the State or from state resources in any form;
2. The aid provides a selective economic advantage by placing certain entrepreneurs or the production of certain goods in a more favorable position;
3. The aid distorts or threatens to distort market competition;
4. It affects trade between member states.

**Conditions for research organizations**

Research organization in the role of the Applicant under this Call does not receive state aid and is categorized according to the definition below:

“Research and knowledge-dissemination organization” or “research organization” means an entity ((such as universities or research institutes, technology transfer agencies, innovation intermediaries, natural persons or virtual collaborative entities focused on research), irrespective of its legal status (organized under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that can exert a decisive influence upon such an entity, in the quality of, for example, shareholders or members, may not enjoy preferential access to the results generated by it.

Funds allocated for activities of a non-economic nature are not considered state aid. Funds allocated under this Call for research organizations in the role of the Applicant must not be used for economic activities, and this must be stated in the Declaration by the Applicant.

According to the Community Framework, the Commission considers the following activities of research organizations to be generally non-economic:

|  |
| --- |
| **a)** **Primary activities of research organizations:*** Education aimed at increasing the number of qualified human resources. Public education organized within the national education system, which is mainly or fully financed by the state and is under state supervision, is considered a non-economic activity[[15]](#footnote-16);
* Independent research and development for more knowledge and better understanding, including collaborative R&D where research organizations effectively collaborate;
* Non-exclusive and non-discriminatory dissemination of research results, for example through teaching, open access databases, open publications, or open-source software programs.

**b)** **Knowledge transfer activities**[[16]](#footnote-17), if carried out by a research organization (including its departments or branches) or in collaboration with such bodies or on behalf of other such entities, where all income from such activities is reinvested into the primary activities of the research organization. |

The following is considered an exception:

|  |
| --- |
| If a specific research organization carries out almost exclusively non-economic activities, its financing can be fully excluded from the scope of state aid rules, provided that:1. The economic activity is exclusively auxiliary, meaning it is:
* Directly related to the work of the research organization and essential for that work, or
* Inseparably linked to their main non-economic use, and

b) Its scope is limited.This is the case if the economic activities consume exactly the same inputs (e.g., materials, equipment, labor, and fixed capital) as the non-economic activities, and the capacities allocated to these economic activities each year do not exceed 20% of the total annual capacities of the subject entity[[17]](#footnote-18). |

The term “subject entity” refers, for example, to a laboratory, center, institute, or organizational unit within which equipment is purchased. If the equipment being purchased can be separately understood as the subject entity, i.e., if its purpose does not depend on other equipment and is not part of a larger whole, then the equipment can be considered the subject entity for calculating the capacity. Otherwise, if the equipment acquired under the project is part of a whole (i.e., depends on the operation of other equipment or will be used as part of a whole for research purposes), then the smallest functional unit is considered the subject entity.

If the same entity engages in both economic and non-economic activities, public financing of non-economic activities will not be covered by Article 107(1) of the Treaty if the two types of activities, their costs, financing, and revenues can be clearly separated to effectively avoid cross-subsidization of the economic activity. In this case, it is necessary to introduce the separation of economic and non-economic activities (allocation of costs, sources of financial resources, and revenues), which must be clearly visible in the gross balance sheet and the annual financial statements of the relevant entity.

**Controls and refunds**

The conditions for financing non-economic activities of research organization are subject to control. The control includes reviewing the Capacity use report for the period after the completion of the project until the depreciation period of the acquired equipment expires, as well as financial reports showing that the financing, costs, and revenues of economic and non-economic activities are separated (if applicable). All of the above documentation must be submitted as part of the annual post-implementation report.

The research organization must, in Application Form, define the relevant subject(s), specify the methodology for capacity measurement, and indicate the planned amortization period. The methodology for capacity measurement serves to ensure the proper monitoring and reporting of how research infrastructure is used, particularly in distinguishing between economic and non-economic activities. It provides a standardized approach for determining the extent to which State aid rules apply to the financing of a research organization or specific activities. This methodology forms the basis for preparing the annual Capacity use report, ensuring that data on the use of infrastructure are collected and presented in a consistent and transparent manner, and that the distinction between economic and non-economic activities is properly documented.

Capacity use reports

Research organization must indicate in the annual capacity report how many working hours of the subject entity equipped under the project (e.g., laboratory, center, organizational unit) were used for non-economic and auxiliary economic activities, based on the use of scientific-research equipment. Along with the report, the Beneficiary must provide an internal log of the capacity use of the subject entity. The reporting period begins when the project implementation ends and lasts until the depreciation period of the newly acquired equipment expires. The depreciation period lasts until the last piece of newly acquired equipment is fully written off. Reports are submitted annually after the project implementation is completed.

If the Beneficiary uses more than 20% of the capacity of the subject entity for economic activities annually, a refund of part of the funds is required, corresponding to the ratio of these economic activities.

Example of refund calculation:

*If the Beneficiary acquired equipment worth €32,000, and the depreciation period of the equipment lasts 8 years (e.g., using the linear depreciation method), the annual depreciation amount is €4,000. If, in one of the 8 years, the subject entity has 25% economic activities, the Beneficiary must refund 25% of €4,000, as the entire 25% is considered an economic activity that is not allowed, regardless of the 20% provision for auxiliary economic activities.*

Financial reports

If applicable, that is, if the Beneficiary engages in both non-economic and economic activities, it must submit financial reports showing the distribution of economic and non-economic activities (allocation of costs, sources of financial resources, and revenues). Financial reports must be submitted along with the Capacity use reports and within the same deadline.

In addition to complying with all the rules on state aid set out in these Guidelines, and in relation to them, in a formal sense the research organisation must:

* In the Annex II. Declaration by the Applicant state that the funds allocated under this Call will not be used for economic activities,
* In the Annex II. Declaration by the Applicant state that they will separate economic and non-economic activities, if applicable,
* In the Annex II. Declaration by the Applicant state that the economic activities consisting of offering products or services on a specific market do not exceed 20% of the total annual capacity of the research organization,
* After the project implementation and until the depreciation period expires, submit financial reports showing the separate financing, costs, and revenues of economic and non-economic activities, if applicable,
* After the project implementation and until the depreciation period expires, submit Capacity use reports.
1. Code of Ethics, [link](https://digit.mzom.hr/en/about-digit-project/documents-and-acts/) [↑](#footnote-ref-2)
2. Applicant must ensure that all the documents are uploaded as defined in Call (correct format, language, signed, and stamped, where applicable) and that the form is correctly completed. [↑](#footnote-ref-3)
3. Drafting note: This document shall be signed by the contractor/consultant/supplier and maintained by the Borrower in the project files. [↑](#footnote-ref-4)
4. *Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by International Bank for Reconstruction and Development Loans and the International Development Agency Credits and Grants*, dated October 15, 2006, and revised in January 2011 and July 2016, as they may be revised from time to time. [↑](#footnote-ref-5)
5. For the avoidance of doubt, a sanctioned party’s ineligibility to be awarded a contract shall include, without limitation, (i) applying for pre-qualification or initial selection), expressing interest in a consultancy, and bidding, either directly or as a nominated sub-contractor, nominated consultant, nominated manufacturer or supplier, or nominated service provider, in respect of such contract, and (ii) entering into an addendum or amendment introducing a material modification to any existing contract. [↑](#footnote-ref-6)
6. A nominated sub-contractor, nominated consultant, nominated manufacturer or supplier, or nominated service provider (different names are used depending on the bidding document) is one which has been: (i) included by the bidder in its pre-qualification or initial selection application or bid because it brings specific and critical experience and know-how that allow the bidder to meet the qualification requirements for the particular bid; or (ii) appointed by the Borrower. [↑](#footnote-ref-7)
7. Inspections in this context are usually investigative (i.e., forensic) in nature: they involve fact-finding activities undertaken by the Bank or persons appointed by the Bank to address specific matters related to investigations/audits, such as evaluating the veracity of an allegation of possible Fraud and Corruption, through the appropriate mechanisms. Such activity includes but is not limited to accessing and examining a firm's or individual's financial records and information, and making copies thereof as relevant; accessing and examining any other documents, data, and information (whether in hard copy or electronic format) deemed relevant for the investigation/audit, and making copies thereof as relevant; interviewing staff and other relevant individuals; performing physical inspections and site visits; and obtaining third-party verification of information. [↑](#footnote-ref-8)
8. <http://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:52014XC0627(01)&from=HR> [↑](#footnote-ref-9)
9. <http://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:32014R0651&from=HR> [↑](#footnote-ref-10)
10. <https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:32017R1084&from=HR> [↑](#footnote-ref-11)
11. <https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:32020R0972&from=HR> [↑](#footnote-ref-12)
12. <https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:32021R1237> [↑](#footnote-ref-13)
13. <https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:32023R1315> [↑](#footnote-ref-14)
14. The first paragraph of Article 107 of the Treaty on the Functioning of the European Union defines the elements of state aid, stating that "any aid granted by a Member State or through state resources in any form which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods, is incompatible with the internal market in so far as it affects trade between Member States," Treaty on the Functioning of the European Union (TFEU, consolidated version, OJ C 115/47, 9.5.2008). [↑](#footnote-ref-15)
15. It should be noted that this does not include workforce training, which, as defined in the state aid rules for training, does not constitute a non-economic primary activity of research organizations. See Article 31 of Regulation 651/2014 and Regulation 1084/2017, which lists certain categories of aid that are compatible with the internal market under the application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1). [↑](#footnote-ref-16)
16. According to the Community Framework, knowledge transfer means any process aimed at acquiring, gathering, and sharing explicit and tacit knowledge, including skills and capabilities in both economic and non-economic activities such as research collaboration, consulting, licensing, setting up new businesses, publishing, and researcher mobility, as well as other staff involved in these activities. In addition to scientific and technological knowledge, knowledge transfer also includes other forms of knowledge, such as knowledge about the use of standards and regulations that contain them, as well as knowledge about conditions in real working environments and methods for business innovation and managing knowledge related to identifying, acquiring, protecting, defending, and exploiting intangible assets. [↑](#footnote-ref-17)
17. If the same subject entity within a research organization is equipped through multiple Grant Agreements, the provision on auxiliary economic activity (up to 20% of total annual capacity) will be monitored at the level of the subject entity's capacity, regardless of the number of contracts contributing to its equipment. This does not change the obligation of Beneficiary of the contract to submit annual reports. [↑](#footnote-ref-18)