



# Innovation Challenge fund 1st Call

## Guideline Document Windows 1 - Start-ups

**IPA 2017 Action Programme for Albania  
IPA II Sector Competitiveness and Innovation**

## **Contracting Authority**

Embassy of Sweden Tirana – Project ‘‘Eu for Innovation’’

### **Innovation Challenge fund 1<sup>st</sup> Call**

Guideline Document  
Windows 1 – Start-ups  
for grant applicants

IPA 2017 Action Programme for Albania

IPA II Sector Competitiveness and Innovation

Deadline for submission of online Application form: 10th June 2019

The European Commission Instrument for Pre-Accession (IPA II) 2014-2020, through its Action Programme 2017 supports growth and competitiveness with the aim to facilitate Albania in its accession process. Such support includes improving the innovative eco-system and boosting start-ups creation in Albania. Funded by the European Union, and with additional support from the German Federal Ministry for Economic Cooperation and Development (BMZ) as well as the Swedish International Development Cooperation Agency (Sida), the **‘‘EU for innovation’’** project interventions will support the capacity for innovation among the innovation ecosystem actors (start-ups, innovation support providers and policy-makers), build linkages within the Albanian innovation ecosystem and internationally and fund innovative startups and innovation support providers. The project will run until September 2021 and is implemented by GIZ and the Swedish Embassy Tirana. The project has a budget of up to 7.539.238 EUR (EU contribution: 6.600.000 EUR, German contribution: 719.238 EUR; Swedish contribution: 220.000 EUR).

# Innovation Challenge fund 1st call Guideline Document

## Window 1 - Start-ups

Version 2.0 (Mar. 2019)

This document relates to **Window 1** of the “Innovation Challenge fund 1st call”, which provides an opportunity for funding for Albanian start-ups created around innovative business concepts. These guidelines provide information about the “Innovation Challenge fund 1st call” including eligibility criteria, the application submission process, the evaluation process as well as general information about the fund.

*A **start-up** is defined as a newly emerged business venture within the first three years of operation, including viable but non-registered business ideas from various sectors.*

**Innovation** is defined as “*the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations (OECD).*” In relation to the “Innovation Challenge fund 1st call” innovation will be assessed in the Albanian context, i.e. is this a pioneering venture within this region?

Applicants should have read through these guidelines before applying to the “Innovation Challenge fund 1st call” in order to ensure an adherence to the “Innovation Challenge fund 1st call” rules and criteria.

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# 1. Introduction

This is a guide for the start-ups applying to the “Innovation Challenge fund 1st call”. The document clarifies who can apply for a grant, what costs the grant can cover (i.e. eligible and non-eligible activities and costs), the evaluation process, formal conditions and criteria, the data and documentation which have to be submitted, as well as technical guidelines and rules for the application processes.

- All information about when the next call for proposals will take place, as well as other useful tools can be found on the “Innovation Challenge fund 1st call” website <http://euforinnovation.al/>.
- Please note that the application is to be filled out online. When filling out the online application form we also recommend the document Application Instruction, which guides you through each application question.
- In case of any discrepancy between this guideline document and the online application form, the online application form shall prevail.

## 2. What is “Innovation Challenge fund 1st call”?

The “Innovation Challenge fund 1st call” objective is to boost start-up creation and improve the innovation ecosystem in Albania. This is done by offering an opportunity for access to finance through an open, transparent and competitive application process, which provides applicants with a one-off, limited-duration grant to overcome the uncertainties that inhibit innovation, research, and development. The assumption is that without challenge-fund support, such activities are either unlikely to happen, or will occur at a later stage, with reduced developmental effects. The fund is managed by a team linked to the Embassy of Sweden in Tirana and applications are only accepted in English to allow a transparent selection process.

The fund has two separate application windows. **Window 1** is open for innovative start-ups in an early stage of development. **Window 2** is open for organizations engaged in services to innovative start-ups, so called Innovation Support Organizations (ISOs). This document concerns **Window 1**, innovative start-ups.

**Window 1** is open to Albanian start-ups created around innovative business concepts.

A **start-up** is defined as *a newly emerged business venture within the first three years of operation, including viable but non-registered business ideas from various sectors.*

**Innovation** is defined as *“the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations (OECD).”* In relation to the “Innovation Challenge fund 1st call” innovation will be assessed in the Albanian context, i.e. is this a pioneering venture within this region?

**Window 1** is open to three subcategories of start-ups:

- **idea stage start-ups**, i.e. a founder or a team in the early stages of implementing an innovative business idea (no registered entity needed)
- **early stage start-ups**, i.e. a registered business entity within the first 0-12 month of operation (from the official registration of the business entity to the date of publishing the Call for Proposals)
- **scale-ups**, a registered business entity within the first 13-36 month of operation (from the official registration of the business entity to the date of publishing the Call for Proposals)

The “Innovation Challenge fund 1st call” will have three calls of proposals, all of which will be open to applicants eligible under **Window 1** and **2**. The grantees will be selected on a competitive basis.

### 3. Who can apply?

As mentioned, **Window 1** of the “Innovation Challenge fund 1st call” is open to Albanian start-ups created around an innovative business concepts.

A start-up within any sector is eligible to apply. There are no limits in terms of sector or business focus apart from those normal in donor support such as alcoholic beverages, tobacco, weapons, etc. Nevertheless, the “Innovation Challenge fund 1st call” will favour sectors with considerable importance to the current Albanian economy and/or in which Albanian economy is considered to have comparative advantage in a regional, EU or global contexts, for example tourism and its related industries; agriculture and agro-related industries, construction, green economy including climate smart innovations and energy, not excluding ICT which is regarded as enabling (cross-cutting) technology for various sectors. Disciplines with generally stronger women participation, such as tourism, agro-processing and the creative sector are also particularly encouraged to apply.

The evaluation process is carried out in a transparent manner based on specific criteria, involving an evaluation committee with international expertise. The evaluation team will especially consider the following criteria:

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- **INNOVATION CRITERIA** - the uniqueness of the business concept in the Albanian context and its innovative character.
- **FEASIBILITY AND SUSTAINABILITY CRITERIA** - commercial viability, the credentials and past business record of the entrepreneur, the qualifications of the team and their organizational and technical capacity, the correlation between the activities, the resources and the expected results, the potential for fast growth, the willingness of the entrepreneur/team to share the costs of the business project, as well as the likelihood of sustainability.
- **ADDITIONALITY CRITERIA** - the ability to generate employment and business linkages, diverse teams and women led ventures, improved quality of life for the beneficiaries, positive

environmental impact, development of local value chains, linkages to academia, other businesses and relevant research, secured additional funding, and start-ups located outside of Tirana.

### 3.1 Eligibility criteria

Apart from falling under one of the three above-mentioned start-up categories, the applicant must also satisfy the following eligibility criteria to be eligible for a grant under **Window 1** of the “Innovation Challenge fund 1st call” :

- be a legal person; [SEP]
- already be established in Albania **or** ensure that the start-up will operate and be registered in Albania during the project period (hence also Albanian diaspora, and non-Albanian residents in Albania would be eligible to apply as long as the business is assured to take place in Albania), [SEP]
- **not** have performed registered activity for more than 36 months until the date of publication of the Call [SEP] for Proposals, [SEP]
- must provide minimum 50% of cost share (of the total value of the project); [SEP]
- be directly responsible for the preparation and implementation of the activities outlined in the application.

### 3.2 Disqualifying criteria

Potential applicants are **not eligible** to a grant from the “Innovation Challenge fund 1st call” if:

- a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation, arising from a similar procedure provided for in the national legislation; [SEP]
- b) they have been convicted of an offence concerning professional conduct by a judgment which has the force of res judicata (i.e., against which no appeal is possible); [SEP]
- c) they are guilty of serious professional misconduct proven by any means; [SEP]
- d) they have not fulfilled obligations relating to the payment of debts to the consolidated state budget; [SEP]
- e) they have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organization or any other illegal activity detrimental to the national financial interests; [SEP]

- f) they have been declared to be in serious breach of contract for failure to comply with their contractual obligations in connection with a procurement procedure or other grant award procedure financed by the national budget; [L]  
[SEP]
- g) are subject to a conflict of interests; the conflict of interests represents any circumstances that may affect the assessment or implementation process, in an objective and impartial manner. Such circumstances may result from economic interests, political or national preferences or family connections; [L]  
[SEP]
- h) are guilty of misrepresentation in supplying the information required by the “Innovation Challenge fund 1st call” team as a condition of participation in the call for proposals or fail to supply this information; [L]  
[SEP]
- i) have attempted to obtain confidential information or influence the assessment bodies during the assessment process of current or previous calls for proposals; [L]  
[SEP]
- j) if they are currently implementing a grant from IDEA programme by GIZ
- k) if they **do not** fulfil standard requirements with regards to wages or accept the decent work agenda (i.e. adhere to offering productive work for women and men in conditions of freedom, equity, security, and human dignity) [L]  
[SEP]
- l) any entity that has been found to have misused Sida or other donor or public funds in the past; [L]  
[SEP]
- m) political parties, groupings, or institutions or their subsidiaries and affiliates; [L]  
[SEP]
- n) organizations that advocate, promote, or espouse anti-democratic policies or illegal [L]  
[SEP] activities; [L]  
[SEP]
- o) faith-based organizations whose objectives are for discriminatory and religious purposes, and whose main objective for the grant is of a religious nature; [L]  
[SEP]
- p) organisations that refuse to sign the required certifications. [L]  
[SEP]

## 4. The grant

### 4.1 The grant amount

Under **Window 1** the three subcategories are eligible for a grant of the following amount:

- For **idea stage start-ups** up to 7 000 EUR (a founder or a team in the early stages of implementing an innovative business idea)
- For **early stage start-ups** up to 15 000 EUR (a registered business entity within the first 0-12 month of operation (from the official registration of the business entity to the date of publishing the Call for Proposals))
- For **scale-ups** up to 25 000 EUR (a registered business entity within the first 13-36 month of operation (from the official registration of the business entity to the date of publishing the Call for Proposals))

### 4.2 Cost-sharing

An important element in any challenge fund instrument is the cost-sharing aspect. The “Innovation Challenge fund 1st call” grant is also given on a cost-share basis, i.e. the applicant is expected to co-share the costs. For any start-up funds are scarce and that is why the co-shared amount may also include in-kind contributions (such as time), salaries, reinvested profits and other investments. The total grant amount may not exceed 50% of the total value of the project for which the grant is awarded.

### 4.3 Eligible costs and activities

The “Innovation Challenge fund 1st call” aims to boost start-up creation and facilitate start-up growth. Each start-up is unique and has unique needs in terms of the allocation of funds. Therefore, the funds from “Innovation Challenge fund 1st call” may be utilised for a variety of activities, as long as these are deemed to be reasonable and in line with the project objective.

#### 4.3.1 Examples of eligible activities

The following list offers **some examples** of eligible activities:

- developing new products (including protecting intellectual property rights and standards);
- diversification of new products, processes or services through new and innovative solutions;
- development and improvement of new organizational models and processes;
- purchase/development of equipment and software for technological advancement (note: if it proves to be justified (price, purchase option or the like), the purchase of used equipment from a legal entity is allowed) (Note: the bought equipment cannot be subject of transfer of ownership for at least two years after project completion.);
- development or improvement of production processes that can lead to an increase in production capacity or new product characteristics;
- development of new energy-efficient solutions.

#### 4.3.2 Non-eligible activities

The following types of activities are **not** eligible for a grant:

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

#### 4.3.3 Eligible costs

All costs added in the budget section of the online application must fulfil all of the following criteria:

- a) they are incurred during the implementation period of the project; [L] [SEP]
- b) they are in accordance with the budget proposal made in the online application form; [L] [SEP]
- c) they are necessary for the implementation of the project idea which is the subject of the grant; [L] [SEP]
- d) they are identifiable, verifiable and documented (e.g. contract, invoice, order form), in particular being recorded in the accounting records of the beneficiary and determined [L] [SEP] according to the applicable accounting standards
- e) they comply with the requirements of applicable tax and social security legislation; [L] [SEP]
- f) they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency; [L] [SEP]
- g) they incurred in accordance with Albanian national legislation; [L] [SEP]
- h) they are not listed as an ineligible expenditure; [L] [SEP]
- i) one expenditure item cannot be covered under more than one expenditure category or under more than one budget line under a given expenditure category; [L] [SEP]
- j) they are used for transport, installation, guarantee for the period of implementation and training of workers on purchased equipment; [L] [SEP]

k) co-financing rate as stipulated in the Contract, is applied to each eligible cost under all expenditure categories. [L] [SEP]

#### 4.3.4 Non-eligible costs

The following costs are non-eligible:

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

### 4.3. Disbursement and duration

The period for the implementation of the project will be up to 12 months and the grant must be utilized within the project period.

The setup of the disbursement of the grant will be assessed on a case to case basis, depending on the specific circumstances and needs of each start-up. The funds may therefore be allocated in full or in several tranches. [L] [SEP]

## 5. Cross-cutting issues

The “Innovation Challenge fund 1st call” supports gender equality improvements in employment rate, increased number of women entrepreneurs, women founded start-ups and gender diversity in the team. In the evaluation process additional value will be given to women founded start-ups, women-owned businesses and gender diverse teams. Women led business ventures are therefore especially encouraged to apply.

It is a requirement of the donors that all projects take into consideration environment and climate aspects. Environmental and climate issues will be taken into account in the selection process, and projects, innovative products and processes that are focused on environmentally friendly technologies, energy saving and using alternative energy sources will be prioritised. Therefore, innovative start-ups providing potential solutions to such issues are highly encouraged to apply.

## 6. The application and evaluation process

### 6.1 The application process

The basic steps in the “Innovation Challenge fund 1st call” application process are as follows:

- A call for proposals, including a deadline for submission of proposals, is announced on the “Innovation Challenge fund 1st call” website and the online application form becomes accessible.
- The applicant fills out the online application form, which consists of the following sections:
  - 1. Applicant data
  - 2. Financial data
  - 3. Proposal
  - 4. Budget
  - 5. Uploading attachments:
    - Business registration document (if registered entity)
    - NUIS identification number issued by tax administration (if registered entity)
    - Profit Loss Accounts (if registered entity for more than 12 months)
    - Balance Sheets (if registered entity for more than 12 months)
    - CV of key team members

- Please note that any questions related to the application process should be sent in writing via e-mail no later than 15 days before the application submission deadline. We therefore strongly encourage all applicants not to put off filling in the application form until the last few days before deadline.

## 6.2 The evaluation process

The basic steps in the “Innovation Challenge fund 1st call” evaluation process are as follows:

- The evaluation process consists of several stages and includes an internal assessment made by the project team, an evaluation made by an advisory committee consisting of both national and international experts as well as financial and legal reviews. Following each stage in the selection process the applicants will be notified if they have been selected to proceed to the next stage of evaluation.
- The final stage of the evaluation process consists of a one-day boot camp, which takes place in Tirana. The applicants are expected to participate at this event (at their own expense). The purpose of the boot camp to meet the start-up teams, to ensure the accuracy of the information given in the online application form and to create an opportunity for the start-ups to express their needs and concerns. If the project management team finds irregularities or determines that the information submitted in the application is incorrect, the applicant will be rejected.
- Contracts with the final grantees will be signed approximately 2-3 months following the deadline for submission of applications.
- The 12 months implementation period includes regular reporting to the project officers as well as financial and legal checks. All start-ups will be audited at the end of the implementation period.

Additional information connected to the “Innovation Challenge fund 1st call” can be found on <http://euforinnovation.al/>, including information days, the Application Instruction, the online application form, all relevant dates for application submission etc. You may also send an email to [challengefund@euforinnovation.al](mailto:challengefund@euforinnovation.al). All questions regarding an open call for proposals should be sent no later than 15 days before