



**GEORGIA**

**NATIONAL INNOVATION ECOSYSTEM PROJECT**

**Georgia Innovation and Technology Agency**

**STARTUP MATCHING GRANTS MANUAL**

**November 2017**

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## ABBREVIATIONS AND ACRONYMS

BfD	Broadband-for-Development
CICs	Community innovation centers
EMP	Environmental Management Plan
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FM	Financial management
FAQ	Frequently Asked Questions
GFMES	Grants Financial Monitoring & Evaluation Specialist
FY	Fiscal year (Georgia: January 1 - December 31)
GDP	Gross domestic product
GEL	Georgian Lari
GENIE	Georgia National Innovation Ecosystem (Project)
GITA	Georgia Innovation and Technology Agency
IIC	Independent Investment Committee
ICT	Information and communication technologies
IP	Intellectual property
IT	Information technology
M&E	Monitoring and Evaluation
MGs	Matching grants (Program)
MGM	Matching Grants Manual
MoESD	Ministry of Economy and Sustainable Development

MSME	Micro, small, and medium enterprises
NIE	National innovation ecosystem
POM	Project Operations Manual
Project	Matching Grants Program Applicant's project
Program	Matching Grants Program
Q&A	Questions and Answers
R&D	Research and development
RIHs	Regional innovation hubs
SMEs	Small and medium enterprises
SOE	Statement of expenditures
TA	Technical assistance
WB, Bank	World Bank

## DEFINITIONS

<b>Application</b>	The package of all necessary documents and data submitted by the Applicant including project proposal.
<b>Project Proposal</b>	Project proposal is an integral part of the Application. It consists of a business plan, project budget, financial forecast, and Applicant's statement.
<b>Approved Project Budget</b>	Applicant's project budget, included in the proposal, which is approved by GITA for grant financing.
<b>A Call for Proposals</b>	Announcement, designed to provide an opportunity for eligible Applicants to submit project proposals, which meet the objectives of the Matching Grant Program
<b>Investment Committee</b>	An independent decision-making body created by GITA for awarding matching grants.
<b>Financing Agreement</b>	A document signed by the Applicant, governing GITA Grant financing of the Applicant and responsibilities of the Awardee.
<b>Final Settlement</b>	A legal document signed between GITA and the Beneficiary at the end of the implementation of the project, defining the completion of the project implementation and the fulfillment of the obligations under the Financing Agreement.
<b>Beneficiary</b>	An eligible Applicant that signed the Financing Agreement with GITA
<b>Implementing Agency</b>	Georgia's Innovation & Technology Agency (GITA)
<b>Desk Review</b>	The first stage of the proposal evaluation process, where applications are checked against environmental and social, administrative and eligibility and IP compliance.
<b>Pre-evaluation Stage</b>	The second stage of the proposal evaluation process, where applications are evaluated by two independent international peer reviewers against the quality criteria set forth under Section 5 of this manual.
<b>Pre-selected Applications</b>	A list of project proposals for final evaluation, ranked by score, and with funding requirement amounting to maximum twice the size of grant budget available for this call.

**Negotiation Stage**

Contract negotiation stage, to solve all ambiguities that emerged during the evaluation and to obtain additional documents or revisions of the proposals.

## **1. INTRODUCTION**

The Matching Grants (MGs) Program is a part of the Georgia National Innovation Ecosystem<sup>1</sup> (GENIE) Project, implemented by the Georgia Innovation and Technology Agency (GITA). The main objective of the GENIE Project is to increase innovative activities of firms and individuals in Georgia and their participation in the digital economy. The GENIE Project is financed from an International Bank for Reconstruction and Development (IBRD) loan in the amount of 40 million US dollars.

The GENIE Project will enhance Georgia's national innovation ecosystem through an integrated approach across three components, plus project implementation support:

### **Component 1: Innovation Infrastructure**

The component will: (a) develop a network of Innovation Hubs and Innovation Centers in selected cities, towns and villages of Georgia; and (b) design and pilot a Broadband-for-Development (BfD) program to support the increase in adoption and use of broadband internet services and advanced information technology by eligible households and eligible Micro, Small, and Medium Enterprises (MSMEs), with a focus on rural areas.

### **Component 2: Innovation Services**

This component will deliver services, many in coordination with the Community Innovation Centers (CICs) and Regional Innovation Hubs (RIHs), tailored to Project beneficiaries at various stages/levels of the innovation ecosystem. The component will carry out outreach and communication activities, and provide training and technical assistance in support of: (a) building the innovation community of Georgia, and organizing and carrying out innovation competitions; (b) carrying out periodic skills needs assessments of firms and developing digital economy skills of individuals; and (c) developing the innovation capacity of individuals and firms.

### **Component 3: Innovation Financing**

This component supports the: (a) provision of Matching Grants (MGs), selection of eligible MSMEs for receipt of matching grants, and supervision of matching grants; (b) provision of technical assistance to eligible MSMEs to prepare and implement sub-projects (with the matching grants); and (c) provision of technical assistance to stimulate alternative forms of innovation financing and investment in the digital economy.

### **Implementing Agency**

Georgia's Innovation & Technology Agency under the Ministry of Economy and Sustainable

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<sup>1</sup> Georgia's National Innovation Ecosystem (GENIE) can be conceived as a network of organizations, rules, and mechanisms that affect how the country generates, disseminates, and uses knowledge and technology.



Development of Georgia (MoESD) is the GENIE Project implementing agency and, subsequently, the MGs Program administrator. The Government established GITA through Resolution No. 172, dated February 19, 2014. Through this mandate, GITA is in charge of innovation policy implementation, including addressing supply-side market failures that limit the quantity and quality of research and innovation in Georgia, including in early-stage finance and innovation infrastructure.

GITA is responsible for all aspects of the Project implementation, including administration of the MGs program, performed by a dedicated unit within GITA (Innovation and Commercialization Department). It will plan, undertake and monitor Project-financed activities, apply safeguard policies, and report on the Project progress to the MoESD and the World Bank in close cooperation with relevant institutions participating in the GENIE Project. MoESD will provide project oversight and coordination. An Independent Investment Committee (IIC) will be created by GITA as an independent decision-making body for awarding matching grants.

The GENIE Project will also support costs of administration of the MGs program, training and coaching to grant Applicants and winners. Such support is needed as many participants will have limited experience with matching grant Applications and the technology commercialization process. Seminars and training during the grant Application process will help ensure that high-quality Applications are received. An estimated 10 days of coaching per year by a combination of local and international experts is expected to be provided to each grant Beneficiary. The training and coaching will be provided by a network of experts coordinated by GITA, leveraging the services developed under Component 2.

The present Matching Grants Manual (MGM) is prepared to detail the grant objectives, eligibility criteria, maximum size of grants, eligible costs, project selection and evaluation process, reporting, and procurement techniques, among others.

### **1.1. Startup Matching Grants - Program Objectives**

The objective of the Startup Matching Grants is to stimulate innovation and creation of innovative enterprises in Georgian economy through development/adoption and commercialization of Innovative<sup>2</sup> products and services with the potential for internationalization.

### **1.2. Startup Matching Grants - Program Description**

MGs is one of the most common funding instruments across both developed and developing economies used in fostering innovation. Table 1 below summarizes the main characteristics of the program.

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<sup>2</sup> Innovativeness can refer to products and services, as well as to the technology and process.

**Table 1: Startup Matching Grants**

	Startup Matching Grants
<b>Objective</b>	Stimulate development of new innovative Startup/early-stage enterprises
<b>Recipient</b>	Early-stage, private, small- enterprises, less than 2 years old
<b>Grant size</b>	Up to GEL 100'000
<b>Duration</b>	Up to 12 months
<b>Co-financing (financial contribution)</b>	At least 10% of total project costs <b>preferably from private, and excluding public grant sources</b> . Potential increase of co-financing to 15% in following CFPs based on demand. *

\* Note: The private sector financing contributions could be subject to change, depending on the demand response seen through pilot rounds of calls for proposals.

The total budget reserved in the GENIE Project for MGs is USD 7.05 million. Financing decisions will be made on a competitive basis by GITA's IIC.

In the course of the MGs Program, Calls for Proposals will be announced according to the GENIE Project Plan and annual budget allocation of grant money. A Call for Proposals for Startup Matching Grants may be announced once a year. Total budget of each Call for Proposals under Startup Matching Grants will equal to 2 million Georgian Lari annually.

Startup Matching Grants is defined as small matching grants to early-stage private and small-enterprises incorporated in Georgia within the last two years that are in the proof of concept stage or have a technological innovation with potential for creation of a new intellectual property (IP) or new know-how, and market potential.

The financing to be awarded by GITA through Startup Matching Grants could cover a maximum of 90 percent up to GEL 100'000 of the total approved Applicant's project budget for a one-year project. A minimum of 10 percent of the project budget would be secured in cash by the Applicant from other sources, preferably private, and excluding public grant sources. A higher share of private sector co-financing may be required in the subsequent Calls for Proposals, depending on the interest in the program and the quality of project proposals submitted in the pilot phase. To ease the financial pressure on the Applicants, the private sector contribution will be required according to the schedule of tranches outlined in section 6.2 1 below. The tranches will be quarterly and aligned with the expenditure plan prepared as part of the grant Application. Financial and technical progress will be verified by GITA each

quarter before the subsequent quarterly payment is made to ensure productive and transparent use of the funds. If the project progress deviates substantially from the proposal, then GITA will decide whether to accept a revised implementation proposal or terminate the project.

Eligible costs to be financed by the Startup Matching Grants are: prototyping, proof of concept, business development, intellectual property applications and fees, R&D services and subcontracts, testing and piloting of developed innovations, business plan preparation for further capital mobilization, commercialization, and others. Ineligible costs are described in Section 2.3.

The rationale for the Startup Matching Grants is that new technology-based startup firms are especially vulnerable and require financial support, because they have a significant lag in revenues between product development and time to market. These firms do not have demonstrable cash flow to obtain conventional sources of debt finance. Also, much of their value is in intangible assets, like IP, which is difficult to appraise in the abstract. Such high-growth innovative firms typically require specialized financing, often from public sources, in their early years to prove the technical, and then the commercial, viability of their ideas. Accordingly, Startup Matching Grants is designed to support early stage innovation as well as stimulate the evolution of an entrepreneurial mind-set among the Georgian community by providing incentives for enterprises to innovate and transfer technologies into the market.

## 2. ELIGIBILITY CRITERIA

Each application received will be evaluated and assessed for eligibility using the three sets of eligibility criteria which are (1) eligibility of applicants, (2) eligibility of activities/projects and (3) eligibility of costs.

### 2.1. Eligibility of Applicants

1. The Applicant is a business entity, incorporated under the applicable/current Entrepreneurs Law of Georgia, registered at the National Agency of Public Registry (NAPR);

Or

The Applicant is a natural person (or group of natural persons) with an innovative business idea. If selected, the applicant will be requested to register the legal business unit prior to contract signing;

2. Applicant has been incorporated for no longer than two (2) years by the date when call for proposals has been launched;
3. The Applicant is a business entity, whose turnover did not exceed GEL 500'000 during the last 12 months before the publication date of the call<sup>3</sup>;
4. The majority<sup>4</sup> of Applicant's ownership shall not belong to a parent company
5. The Applicant, as a business entity, is not a beneficiary of any of the previous rounds of the Startup Matching Grants Program.

In addition, in Applicant's Statement (Attachment MG5), the applicant must declare that:

- The Applicant is not bankrupt, insolvent, being wound up, in the process of reorganization are not registered in the debt registry of the National Enforcement Bureau or having their affairs administered by the courts, has not suspended business activities for whatever reasons, is not subject of proceedings concerning those matters, or are not in any analogous situation arising from similar procedure provided for in national legislation or regulations;
- The Applicant's founders are not registered in the debt registry of the National Enforcement Bureau;
- The Applicant is not in breach of duties related to taxes in accordance with the Tax Code of Georgia.

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<sup>3</sup> If a call has been published in the middle of the month e.g. 13<sup>th</sup> of August, July of the same year will be the 12<sup>th</sup> month of the above-mentioned period.

<sup>4</sup> I.e. more than 50%

## **2.2. Eligibility of projects/activities**

Under Startup Matching Grants, GITA will consider the financing of the technology based projects/activities except those related to:

1. The military, nuclear technologies, production of spirits<sup>5</sup>, tobacco, and hazardous substances;
2. Any activity included in the exclusion list provided in Attachment II of the Environmental and Social Management Framework (ESMF) of GENIE Project (see Attachment MG1).

## **2.3. Eligibility of costs**

Only 'eligible costs' can be covered by a grant. The categories of costs that are eligible and ineligible are indicated below. The budget is both a cost estimate and an overall ceiling for 'eligible costs'.

Costs that meet all of the criteria listed below can be considered as eligible:

- (1) Are incurred as per Approved Project Budget;
- (2) Are incurred and paid during the project implementation period.
- (3) Are reasonable and necessary for the implementation of the project;
- (4) Are recorded in the accounting books of the Beneficiary;
- (5) Correspond to the local tax legislation;

GITA recommends that the Applicants structure a project budget and organize costs roughly in the following manner:

1. Salaries: inclusive of all taxes and social benefits for employees working on the project. Maximum single salary allowed, amounts up to three national average salaries according to the latest issue of National Statistics Office of Georgia's (GeoStat)<sup>6</sup>;
2. Equipment or machinery for production purposes and R&D supplies; not exceeding 50% of the total project budget. Only in duly justified cases and derived from the specific of the project and its results, GITA might accept the costs exceeding above-mentioned ceiling;

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<sup>5</sup> Projects/activities related to the wine industry are considered as eligible, as long as they do not also relate to production of spirits.

<sup>6</sup> <http://www.geostat.ge>

3. R&D services, subcontracts<sup>7</sup>;
4. R&D experts/advisors;
5. Patent application and fees, certifications;
6. All other costs that are derived directly from the requirements of the project and do not fall within the list of ineligible costs as listed below.

The applicants financed under the Startup Matching Grants must get a tax credit or a refund of the value-added tax and an exemption on profit and import taxes envisaged for grantees by the Georgian Tax Code.

### **Ineligible costs**

Costs that will not be considered for financing from GITA grant funds include:

1. Interest or debt owed to any party;
2. Expenditures and provisions for possible future losses or debts;
3. VAT<sup>8</sup>, profit and import tax as per exemptions provisioned for grantees in the relevant Articles of the Tax Code of Georgia.
4. Items already financed through another framework, program or company/institution (prevention of double financing);
5. Currency exchange losses; fees and penalties;
6. Entertainment and hospitality costs;
7. Relocation or subscription costs;
8. Purchase of land or buildings,

Apart from the ineligible costs, the Applicants, later identified as Beneficiary(ies) shall not:

1. Make advance payments in excess of:
  - 10% of the contract price for goods
  - 20% of the contract price for works and consulting services

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<sup>7</sup> All agreements with third parties must contain provision that the Applicant retains ownership of all new IP and know-how that may be created during the implementation of the project.

<sup>8</sup> In case of Value Added Tax, the Applicant(s) later identified as Beneficiary(ies) may pay for the VAT from grant funds, however such payments shall not be regarded as eligible costs and therefore not be included in the list of expenditures in the quarterly financial report.

An advance payment shall be made against the bank guarantee provided by the contractor, however, solely for consulting services, the Beneficiary may decide not to request a guarantee whenever advance is up to 10% of the contract price.

2. Make payments in physical cash and shall only pay for costs incurred for project purposes from the designated bank account.

### **3. PROCUREMENT PROCEDURES**

GITA strongly recommends that Goods and Non-Consultancy /Consultancy service contracts are procured through acceptable Commercial Practices defined below:

Organizational arrangements of the Beneficiaries to conduct procurement shall take into consideration the need for economy, efficiency and transparency of the various procurement activities defined in the Project Proposal, their timing and quality of the procured goods and non-consultancy/ consultancy services.

In principle, selection of suppliers/firms/individuals will be based on consideration of price, quality, reliability and performance and the contract award shall be made to the lowest responsive bid/quotation submitted by the qualified bidder. If award is made not to bidder submitted the lowest responsive bid/quotation, a justification note shall be filed in the documents.

No contract will be financed with a firm and Individual that is not eligible under the World Bank financing under paragraphs 1.8-1.10 of the World Bank Procurement Guidelines and paragraphs 1.11-1.13 of the World Bank Consultant Guidelines.

beneficiaries will ensure that the financing is used to buy only those goods, and services necessary to carry out the project and that they are procured in the most economical and efficient and transparent manner.

All contract procurement and selection information and project related facilities shall be available to World Bank's staff, auditors and staff from GITA for their review.

The following types of procurement methods will be used, based on the estimated contract value and availability of suppliers (refer to Table 2 below). These methods apply to all procurements using MG facility funds by the Beneficiaries.

Table 2: Procurement Procedures

<b>Procurement Method</b>	<b>Contract Value Limits</b>
Single Source Procurement	USD 30,000.00 equivalent or less;

	More than USD 30,000 (subject to other restrictions)
Competitive Shopping	More than USD 30,000

In all circumstances an artificial Splitting of the items that are normally procured together (in order to keep an individual contract value below the above cited threshold) shall be avoided.

Procurement Methods to be used by beneficiaries

A. Single Source Procurement

Single Source Procurement may be used when the total cost of the goods/services to be purchased under one activity is less than or equal to USD 30,000 (thirty thousand). The Beneficiary may collect only one offer. GITA will verify the proof of purchases through a review of invoices (consultant CVs) and contracts during on-site verifications on a sample basis.

Or

Single Source Procurement is used to award a contract for goods/services to one source without the usually required procurement activities even if the estimated contract value is above USD 30,000 (thirty thousand) when any one or more of the following conditions may apply:

- When only one supplier/service provider is available in the municipality for the provision of the required goods/services;
- When there is more than one source for the required goods/services but only one authorized by the manufacturing company to deal in the products required;

Exception: When full-fledged competitive shopping exercises were undertaken but resulted in less than three offers, a simpler form of SSP may be used. Here, if there is only one offer and it is responsive, the contract is made out to the sole offer. If there are two offers received, these are evaluated and the lowest evaluated substantial compliant/responsive offer of the two offers is selected for contract award. However, the approvals stated below should still be secured in this case.

When any of the above conditions apply, the Beneficiary Company must prepare a letter or memo of explanation addressed to GITA. The letter should describe which of the situations listed above necessitates SSP, the name and full details of the vendor that is willing to provide the required goods/services, and the total amount quoted for the same.

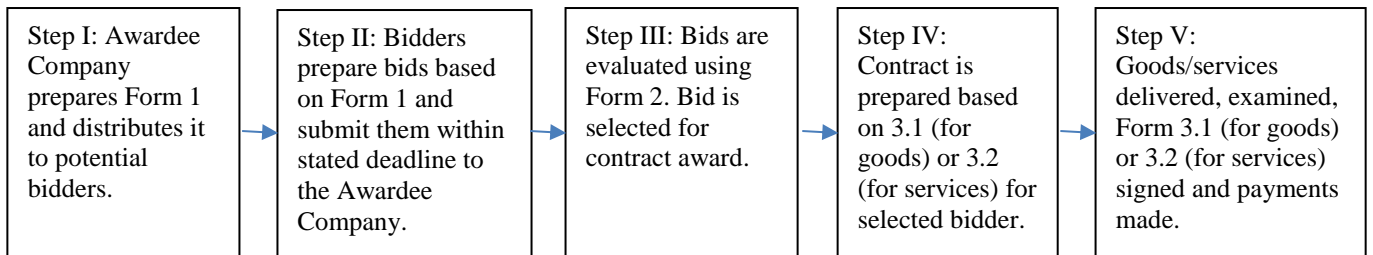


## B. Competitive Shopping

Competitive Shopping is used when the estimated total amount to be paid for the required goods/services is more than USD 30,000 (thirty thousand). The procedure is as follows:

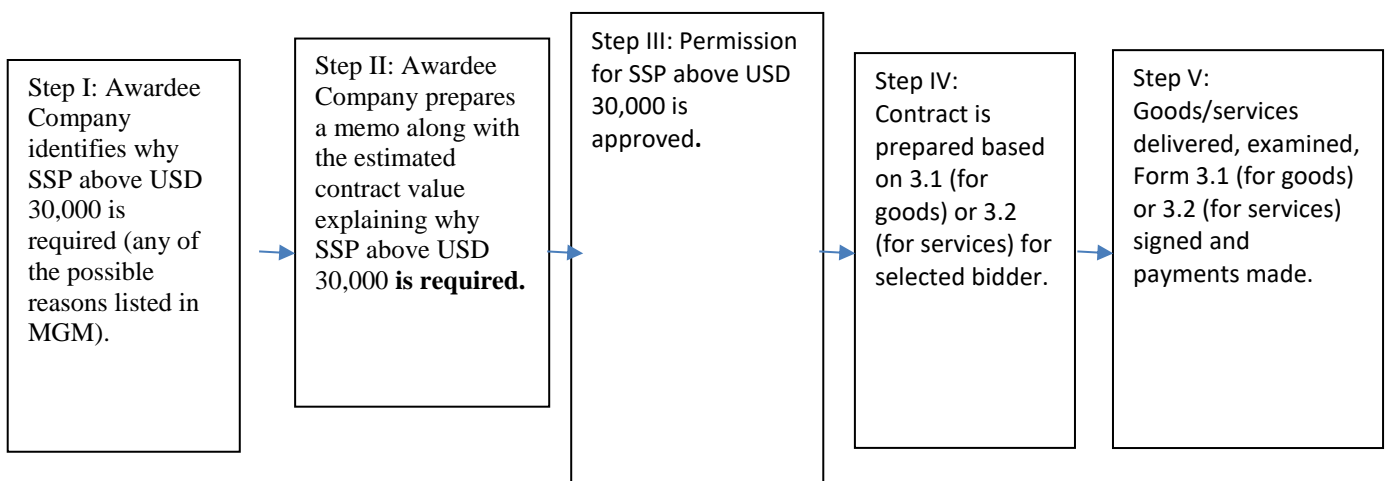
1. The Beneficiary Company, fills out an 'Invitation to Quote' (Procurement Form 1, Attachment MG7) with a detailed description and technical specifications of the goods/services required. The technical form specifications must be sufficiently detailed that an interested bidder can clearly identify the type, quality, quantity, model, etc. of goods/services required, but not so specific as to eliminate competition.
2. The Beneficiary Company distributes the 'Invitations to Quote' to several potential bidders. All invitations must be distributed on the same day to allow sufficient time for the bidders to prepare their offers. A minimum of one week must be allowed between the distribution of the Invitations to Quote and the deadline for submission of offers. The prices of minimum three responsible offers should be compared.
3. Bidders must present their offers at or before the submission deadline at the address specified in the Invitation to Quote.
4. The Evaluation Committee consisting of odd number of members (at least three) of the Beneficiary Company must evaluate the offers and decide based on the Evaluation criteria. Head of the Beneficiary Company must be in the Evaluation Committee. If the evaluation committee members do not have the technical knowledge required for the evaluation, an expert who possesses the required competences and who is not related in any manner with the bidders may also be invited.
5. Beneficiary Bid Evaluation Form (Procurement Form 2, Attachment MG7) should be used for the evaluation of the offers. The offer which is the lowest priced, technically complete offer is selected for contract award. In cases where the contract is awarded to a bidder other than that with the lowest priced offer, a detailed justification must also be included. The results are recorded in Form 2 (Attachment MG7) and the form is signed by the designated official of the Beneficiary Company (when an independent expert is invited for the evaluation purposes, also by the invited expert).
6. Upon the delivery of the goods or completion of the services ordered, an inspection is made by the Beneficiary Company. Any discrepancies between the specifications in the purchase order and the goods/services actually delivered/rendered must be corrected by the vendor before any payments are made. If the goods/services provided do not meet the specifications in the contract(s) and the vendor/service provider refuses to make the necessary amendments speedily, the Beneficiary Company may issue the vendor/service provider with a 'rejection memo'. The memo effectively rejects the goods/services provided by stating how they do not meet the specifications and that payments will not be made for the same. If there is a discrepancy between only the quantities mentioned in

the contract(s) and that in the goods/services delivered, the designated official of the Beneficiary Company must record the discrepancy in the Receiving Report Box at the bottom of the contract(s), as well as any amounts to be deducted from the final payment. If the Head of the Beneficiary Company is satisfied with the goods delivered/services rendered, he/she signs the receiving report as accepted and the Beneficiary Company's Financial and/or Accounting division proceeds with the payments for the same.



**All uses of Single Source Procurement with more than USD 30,000 must be reported by GITA in Quarterly Progress Report to WB.**

When the SSP method (with more than USD 30,000) is being used for the procurement of certain goods/services from the manufacturer or an authorized dealer of the manufacturer, then it would be advisable that the purchase of spare parts and/or proprietary items for the originally procured goods/services is also done from the same source through SSP. This will ensure that the spare parts and/or proprietary items are of the same quality, make, model, etc. of the originally procured goods.



### **Guidance for Preparation of Invitations to Quote**

The Beneficiaries are encouraged to follow sample forms as indicated in this Manual when preparing the sub-project proposal documentation, and the procurement documentation, especially the invitation to quote.

### **Procurement Complaints Handling/Dispute Resolution/Formal Jurisdiction**

In the event that any of the procurement activities regarding the use of the matching grant facility by the Beneficiary result in complaints from and/or disputes between one or more concerned parties, the following measures should be undertaken:

If the dispute is between the Beneficiary Company and the contractor/supplier, the Beneficiary Company concerned is expected to first try and resolve the problem in discussion with the party concerned. At this stage, the process may be done informally with no documentation. However, if the complaint cannot be resolved at that level, the GITA Management will mediate between the parties. Any complaint sent to the GITA management must be in writing.

All efforts by all concerned parties mentioned above would be taken to resolve such conflicts/complaints without escalation. GITA may carry out a periodic procurement post review to ensure that procurement procedures are followed.

## **IBRD Guidelines:**

The IBRD Procurement and Consultant Guidelines, are available at [www.worldbank.org/procurement](http://www.worldbank.org/procurement) (<http://go.worldbank.org/YZVQ9VQ490>) and the List of Debarred Firms is available at: <http://www.worldbank.org/debarr>

The Beneficiaries are obliged to refer to the World Bank's "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. (Anti-Corruption Guidelines) available at:

<http://siteresources.worldbank.org/INTLEGSTAFONLY/Resources/AnticorruptionGuidelinesOct2006RevisedJan2011.pdf>

### **3.1. Fraud and Corruption**

GITA requires that the grant Beneficiaries as well as selected Suppliers and Consultants participating in the projects adhere to the highest ethical standards, both during the selection process and throughout the execution of a contract. In pursuance of this policy, the World Bank defines the terms set forth below:

- (i) "corrupt practice" is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence the actions of another party;
- (ii) "fraudulent practice" is an act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation;
- (iii) "collusive practices" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
- (iv) "coercive practices" is impairing or harming, or threatening to impair or harm, directly or indirectly, persons or their property to influence their participation in a procurement process, or affect the execution of a contract;
- (v) "obstructive practice"
  - (aa) deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a World Bank investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or

(bb) acts intended to materially impede the exercise of the World Bank's inspection and audit rights.

GITA is committed to address any potential issues on fraud and corruption and will support the World Bank in implementing the relevant provisions as outlined in the Procurement Guidelines (paragraph 1.16) and Consultant Guidelines (paragraph 1.23).

Before accepting the Applicant statement terms, the Applicant is advised to carefully read the whole document and contact GITA if any questions arise.

#### **4. SUBMISSION OF THE APPLICATION**

##### **4.1. Acceptance of Terms**

The first step in the Application process requires the Applicant to accept the Applicant statement in order for GITA to consider and evaluate the Application. The Applicant statement (Attachment MG5), also developed for on-line access, covers the following primary topics:

- Acceptance of terms in regards to the Startup Matching Grants Program;
- Acceptance of terms in regards to the Financing Agreement (**Attachment MG9**);
- Acceptance of terms in regards to the ESMF;
- Acceptance of terms of Confidentiality Policy and Prevention of Conflict of Interest Policy;
- Acceptance of terms with respect to Intellectual Property and know-how requirements;
- Acceptance of terms with respect to the Anti-Corruption Guidelines<sup>9</sup>;
- Acceptance of terms on broadcasting the pitching.

##### **4.2. IP and Know-How Requirements**

If applicable, the Applicant is required to show proof of IP and know-how rights, including but not limited to licensing agreements, in-kind contribution agreements, options or commitments, if any, and other agreements confirming that the Applicant owns or has rights to the technology being developed and the finished product or service.

Any new IP and know-how, which may be created during the implementation of the project, belongs to the Applicant. The Applicant has to secure these IP and know-how rights in

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<sup>9</sup> World Bank's "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.

agreements concluded with any third party.

If awarded a grant, the Applicant shall also address the recommendations drawn by GITA.

### **4.3. Application forms and supporting documents**

The following documentation shall be submitted before the submission deadline is over, **in Georgian and in English** through matching grants web-portal:

#### **Project Proposal documentation:**

- Applicant statement (Attachment MG5) – in English and Georgian;
- Business plan (Attachment MG2) - in English and Georgian;
- Project budget (Attachment MG3) - in English and Georgian;
- Financial Forecast (Attachment MG4) - in English and Georgian;
- Environmental Screening Questionnaire (hereinafter ESQ) (Attachment MG1) - in English and Georgian.

#### **Supporting Documentation:**

- Business Registration Form issued by National Agency of Public Registry (NAPR), not older than six (6) months at the time of submission of the Application, if applicable<sup>10</sup> - in Georgian;
- CVs of existing personnel and/or TORs<sup>11</sup> for key positions in the project (maximum 5) - in English and Georgian;
- If applicable<sup>12</sup>, Applicant's latest accounts from the revenue services, namely in Georgian:
- Either (If applicant is a not VAT payer)
  - Notification from the revenue services that the applicant is not a VAT payer
- Or (If applicant is a VAT payer)
  - VAT declaration from the revenue services for the last twelve months before the call for proposals is launched (monthly declaration)

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<sup>10</sup> For Start-up Georgia, if the applicant is represented by the natural person or group of natural persons the company will be registered based on the Implementing Agency's request and therefore registration form shall be provided with the additional supporting documents requested during the negotiation stage

<sup>11</sup> If not yet hired

<sup>12</sup> Except for when start-up is represented by the natural persons.

**Additional supporting documents shall be provided by the selected applicants during the negotiation stage:**

- Bank account – details of the account designated to the project, and the Latest bank statement;
- Proof of co-financing - Relevant proof of co-financing includes but is not limited to: investment contract (e.g. capital contributions), debt agreement (e.g. credit agreements with the banks or financial institutions, loan agreements), company cash contribution (e.g. cash acquired through current business operations, cash expected from the ongoing and future business operations) and similar sources;
- Environmental and Social Management Plan (ESMP), if applicable;
- Extract from Registry of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities by NAPR, if applicable<sup>13</sup>;
- Proof of IP and know-how rights, including but not limited to licensing agreements, in-kind contribution agreements, options or commitments, if any, and other agreements confirming that the Applicant owns or has rights to use the technology being developed and the finished product or service, if applicable;
- Any other document as requested by the Implementing Agency.

Please note that in both cases, **some of the documents might be requested in original** if deemed necessary by GITA.

#### **4.4. Instructions to the submission process**

When preparing application, please consider the following:

Only Applications submitted using Matching Grants web portal, accessible via [www.grants.gov.ge](http://www.grants.gov.ge) will be considered.

To apply for the Startup Matching Grants Program, the Applicant needs to register to the Matching Grants web portal, and complete the Applicant registration form indicating basic details about the company (e.g. tax identification number, legal form, address, contact person details, etc.). The applicants will not be able to submit any application after the submission deadline.

The application can no longer be modified after submission; therefore, applicants are recommended not to submit the application until they are firmly sure that all requirement

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<sup>13</sup> For Start-up Georgia, if the applicant is represented by the natural person or group of natural persons the company will be registered based on the Implementing Agency's request and therefore registration form shall be provided with the additional supporting documents requested during the negotiation stage

have been addressed. The web portal provides applicants with “save” function, so that applicants can continue modifying applications later and before submission;

Applicant will receive confirmation and unique application will be assigned with unique reference number, once the application is submitted, however should it not receive such confirmation, applicant should contact GITA to the email indicated on the MG web portal.

Application reference number shall be used in all future communication between applicant and the Implementing Agency.

Applicants are well advised to submit their proposals in advance of the deadline to avoid last minute system overload.

Only complete Applications will be accepted. However, the Applicants may be requested to clarify/modify certain information and submitted documentation in order to avoid their possible disqualification in this initial phase due to some negligible administrative issues.

It is the Applicant’s responsibility to ensure that all the relevant documents are uploaded to the appropriate section of the Matching Grants web portal.

#### **Number of applications and grants per applicants**

The Applicant may submit more than one (1) application under this Call for Proposals.

The Applicant may not be awarded more than one (1) grant under this Call for Proposals.

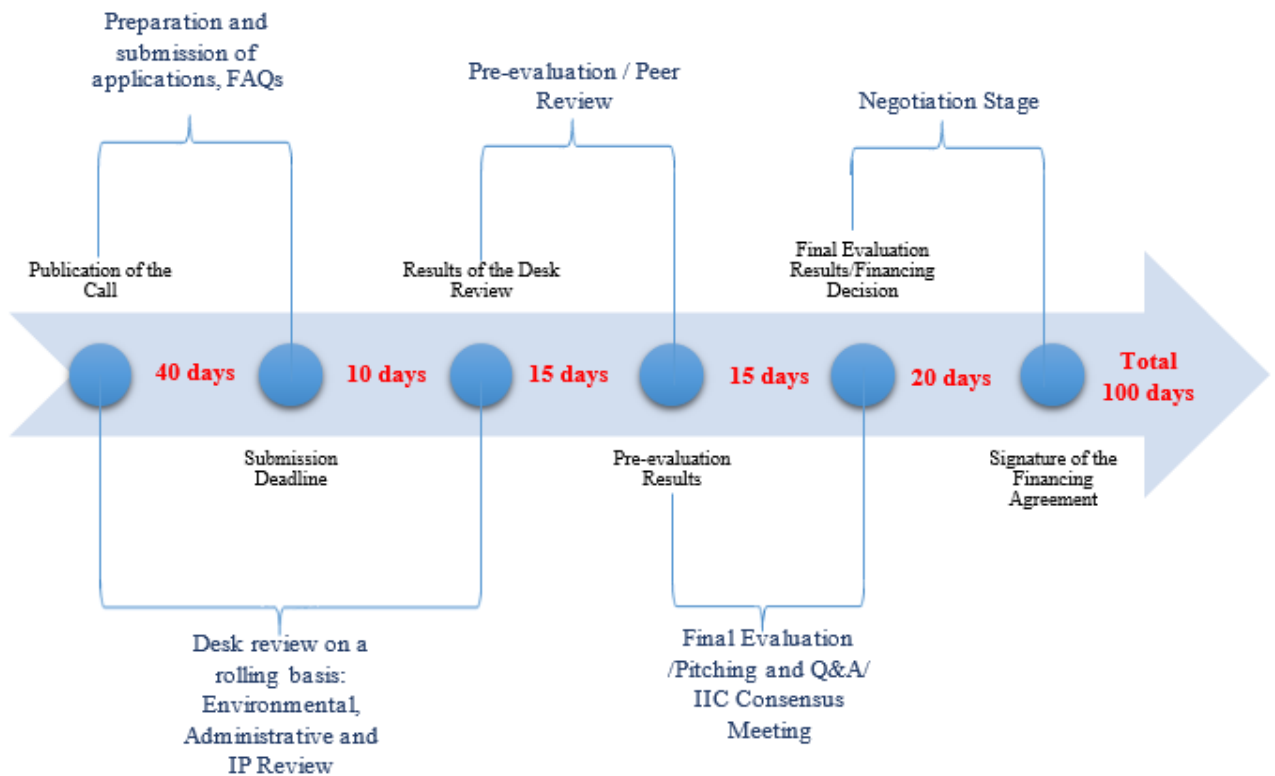
Modified and improved Applications are allowed. However, an Applicant can resubmit substantially the same Application only once. An Application which is substantially the same as any Application (i.e., based on the substantially same or similar innovative technology, product or service and business plan), previously submitted to GITA will not be considered for financing.

### **5. PROJECT EVALUATION AND FINANCING DECISION**

Evaluation process is composed of three key stages that help Implementing Agency select the best projects from the proposals submitted. Three main evaluation stage can be underlined in this process followed by the negotiation with the selected applicants and the Award Decision. These stages are desk review, pre-evaluation and final evaluation. The indicative timeline (**Figure 1**) for the different stages of the evaluation procedure can be summarized as follows:

#### **Figure 1: Evaluation Steps and Indicative Timetable**





### 5.1. Desk Review

After submission, proposals will be processed on a rolling basis during a desk review. Each proposal will first of all be checked against environmental and social compliance.

**The environmental review** will examine the nature and type of the proposed project activity against the exclusion list provided in Attachment II of the ESMF and perform an environmental classification of the proposed activities according to the ESMF and World Bank OP 4.01 Environmental Assessment.

Each Applicant will be required to fill out an **Environmental and Social Checklist Questionnaire for Matching Grants (ESCQ)** - Attachment I to the ESMF (see **Attachment MG1** to this Manual) and include it in the Application. An Applicant will be held responsible for an honest and correct description of the current environmental performance of his/her enterprise and of the possible positive and negative environmental and social impacts of the proposed activities. A Safeguards Specialist from GITA will review filled out ESCQs and copies of licenses/permits attached in support of the information provided in the questionnaires.

Any proposed project that contains activities included in the exclusion list or which fall under environmental Category A<sup>14</sup> will be turned down at the desk review stage.

<sup>14</sup> A proposed activity is classified as Category A if it is likely to have significant adverse environmental impacts that are complex, irreversible, or unprecedented.

Category C activities will not require further environmental work.<sup>15</sup>

Applicants whose projects fall under environmental Category B<sup>16</sup> will be informed by GITA on the need to develop ESMPs, during the negotiation stage. It is the responsibility of the Applicant to prepare the ESMP and submit it within the set deadline after being notified by GITA. The guidance on the content of the ESMP is provided in the ESMF of GENIE Project as an **Attachment MG1** to this Manual. If a project requires an ESMP and the Applicant fails to furnish it to GITA within the set timeframe and in a satisfactory manner, then the Application will not receive financing.

Those applications that passed the first stage of the desk review will undergo the **administrative compliance and eligibility check**, where applications will be checked against the completeness of submitted documents and the eligibility criteria check according to this manual.

At this stage, the application shall be rejected on that sole basis and shall not be further evaluated if following criteria are not fulfilled:

- A complete set of project proposal documents and supporting documents listed in the section 4.3 (Application Forms and Supporting Documents) of this manual.
- Project proposal documents and supporting documents are in wrong format or not in the languages required as per section 4.3 (Application Forms and Supporting Documents) of this manual.
- Any of the eligibility criteria as laid down in this manual, is not met.

The final step of the desk review refers to the intellectual property rights review performed by the desk reviewer deployed from the National Intellectual Property Center “Sakpatenti”. Unlike previous stages, at this stage, no application will be rejected as a result of these checks, thus IP review carries exclusively the advice capacity and is only done to help peer reviews to make decisions during the assessment of the relevant criteria included in the pre-evaluation grid.

The objective of the IP review is twofold. First, to assess patentability of an invention involved in the project. Second, to check whether there is a risk of infringement of a patent of a third party during the project implementation phase.

Only fully completed and electronically submitted Applications will be considered for further

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<sup>15</sup> A proposed activity is classified as Category C if it is not expected to have potential adverse environmental impacts.

<sup>16</sup> A proposed activity is classified as Category B if its potential adverse environmental impacts on human populations or environmentally important areas--including wetlands, forests, grasslands, and other natural habitats--are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigation measures can be designed more readily than for Category A projects.

evaluation. If applicable, the Applicants may be given 5 to 10 calendar days for addressing clarifications requested by GITA depending on the complexity of the request imposed by the Implementing Agency. In case the above-mentioned deadline is not respected, the Georgia's Innovation and Technology Agency reserves a right not to consider the application for further evaluation. Applicants will be informed on the outcomes of the desk review by email and through the Matching Grants web portal.

After the desk review, the evaluation and selection process will be managed by the external company tasked to conduct (1) the pre-evaluation of applications by involving the roster of international experts – peer reviewers, (2) the pitch coaching sessions by involving international coaches and (3) the final evaluation by the Independent Investment Committee composed of odd number of international experts. The latter will make the financing decision regarding the award of grants. The details of each evaluation step are given in the sections below.

## **5.2. Pre-evaluation of Applications**

Each Application that meets desk review criteria will be individually evaluated by two independent and unbiased international peer-reviewers. Peer reviewers, will have skills and expertise from the scientific or business field in line with proposal. Each peer reviewer must have the highest standards of integrity, which preclude any questionable affiliation with Applicants, including as an employee, consultant, relative, political or business affiliate. Each candidate should disclose in advance any perceived, potential or actual conflict of interest that could affect their objectivity. The peer reviewers will be asked to remotely evaluate one or more proposals closely related to their field of expertise and to submit a completed evaluation grid. Peer Reviewers shall also check the eligibility of costs (as laid down in section 2.3 of this manual) presented in the proposal budget, as well as their adequacy and consistency with the business and activity plans. Each peer reviewer will prepare a report that both include merit-based scores and a narrative section highlighting the strengths and weaknesses of the Application and indicating any issues that might be clarified with an Applicant at the interview. In the case in which an Application obtains largely diverse scoring (more than 20 points) by two peer reviewers, a third peer reviewer will review the Application.

Scoring: The evaluation grid is divided into sections and criteria clustered under each section. Each criterion is scored between 1 and 5 in accordance with the following scaling:

1 - Weak, 2 - Fair, 3 - Moderate, 4- Strong, 5 – Exceptional

At the pre-evaluation stage the proposals will be evaluated according to the following criteria:

<b>I. INNOVATION AND CONTENT</b>		<b>SCORE</b>	<b>COMMENTS &amp; JUSTIFICATIONS</b>
1.1	Degree of Innovativeness: New or significantly improved product, service process, or technology		
1.2	Feasibility of proposed methodology and innovation content		
1.3	Geographical impact/potential of the proposed innovation  (local, sub-regional, regional, global)		
1.4	Difficulty of replication <sup>17</sup> ,	Choose a score.	
1.5	Level of readiness of innovation for the market introduction		
Sub-total score			

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<sup>17</sup> Difficult-to-copy innovations shall score higher. Patent protected or invention qualifying for patent protection scores 5.

II. MARKET AND COMMERCIALIZATION		SCORE	COMMENTS&JUSTIFICATIONS
2.1	Application and market demand:  Product provides a solution to an existing problem by addressing a market demand or creates a new demand.		
2.2	Market size, needs and growth:		
2.3	Customers and potential customers; competitors, quasi-competitors, and potential competitors		
2.4	Go-to-market strategy, time to market (TTM), product introduction risks and opportunities addressed		
2.5	IP rights obtained planned or handled appropriately (patents, licenses etc.) if applicable.		
Sub-total score			

III. MANAGEMENT AND FINANCIAL CAPACITY		SCORES	COMMENTS&JUSTIFICATIONS
3.1	Relevance of project team experience: specific and interdisciplinary, diversity of competencies, sufficient technical background to implement a project and/or a relevant plan to acquire missing competences		
3.2	Appropriateness of management capacity and structure (allocation of roles and responsibilities)		
3.3	Implementation plan feasibility and manageability, realistic milestones		
3.4	Relevance of budget: Adequate allocation of financial resources, neither overestimated nor underestimated		
3.5	Sufficiency of sources and structure of co-finance <sup>18</sup>		
3.6	Project profitability, growth and break-even		
3.7	Revenues or other evidence of traction (customer/user acquisition) to date		
Sub-total score			

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<sup>18</sup> Preference given to private sector equity financing

IV. SUSTAINABILITY		SCORES	COMMENTS&JUSTIFICATIONS
4.1	Clear sustainability measures incorporated: the durability of the project after the implementation deadline		
4.2	Persistency of competitive advantage <sup>19</sup>		
4.3	Potential for product renewal/ability to pivot		
Sub-total score			

Each section is assigned with weights due their importance (Sections I and II -30% each, section III and IV – 20% each)

The proposal can score overall 100 points in accordance with the breakdown provided in the pre-evaluation grid.

Applications shall be rejected and not evaluated further if:

- The total (weighted) average score is less than or equal to 50 points;
- The sub-total weighted average score of section I, Innovation and content, is less than or equal to 15;
- The sub-total weighted average score of section II, market and commercialization, is less than or equal to 10;

Two lists will be drafted after completion of the pre-evaluation stage

1) A list of proposals not recommended for final evaluation containing applications rejected due to the failure to meet the thresholds defined above in this section and the applications that scored less than those pre-selected.

2) A list of project proposals for final evaluation, ranked by score, and with funding requirement

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<sup>19</sup> In general, advantages that rise from brand and quality on the price side and scalability on the cost side tend to have more staying power than those arising from more temporary sources of advantage, such as an innovation that will tend to be superseded by subsequent innovations.

amounting maximum to twice the size of grant budget available for this call.

Applicants will be informed on the outcomes of the pre-evaluation and shall be ready to deliver pitch and answer questions during the Final Evaluation.

The pre-selected applicants shall attend one-week pitch coaching session to improve their pitching skills before the final evaluation of applications. The sessions will be conducted by the International Coaches hired by the external company to which the task is outsourced by GITA.

### 5.3. Final Evaluation by the Investment Committee

GITA's Independent Investment Committee is composed of at least three (3) unbiased International Experts. IIC members must have the highest standards of integrity, which preclude any questionable affiliation with Applicants, including as an employee, consultant, relative, political or business affiliate. They must have prominent expertise in innovation, science, or business.

At this stage, those applicants whose proposals have been pre-selected will be invited to interviews. The interviews will be followed by a Q&A session. The applicants should be prepared as per final evaluation grid and be ready to answer the questions asked around these criteria and regarding their proposals.

Based on the decision of the Implementing Agency, the interviews conducted during this stage might be publicly broadcasted, therefore it is of utmost important that both parties, the applicants and the investment committee members strictly preserve the principle of non-disclosure and secret content is not disclosed during these interviews.

After the pitching sessions, the consensus meeting of the IIC will be held where IIC members should agree on scores for each criterion and come up with the collective evaluation grid.

The evaluation criteria for final evaluation are the following:

No	CRITERIA	SCORE	COMMENTS
1	Customer problem <ul style="list-style-type: none"><li>- The problem was well identified</li></ul>		
2	Product (service) overview <ul style="list-style-type: none"><li>- Product/service description</li><li>- Uniqueness (innovativeness)</li></ul>		



3	<p>Development phase</p> <ul style="list-style-type: none"> <li>- Mature enough to be introduced to the market</li> </ul>		
4	Market size and growth		
5	Target Market and Segmentation		
6	<p>Go-to market strategy</p> <ul style="list-style-type: none"> <li>- Strategy for delivering a product or service to the customer</li> </ul>		
7	<p>Competitive landscape and advantages</p> <ul style="list-style-type: none"> <li>- Competitors and competitive products/services</li> <li>- Competitive advantages of the propose product/service</li> </ul>		
8	<p>Financial projections</p> <ul style="list-style-type: none"> <li>- Expected Profitability</li> <li>- Expected growth rate</li> <li>- Break-even</li> </ul>		
9	<p>Funding</p> <ul style="list-style-type: none"> <li>- Sufficiency of requested funding</li> <li>- Co-finance and its structure</li> <li>- Investments to date percentage of investments received towards application</li> </ul>		
10	<p>Operational Capacity</p> <ul style="list-style-type: none"> <li>- Management and Team</li> </ul>		
Total Score assigned by the IIC		50	

The scoring principle is the same as in the pre-evaluation stage, however no weights are assigned and no minimum thresholds are applied.

As a result of this assessment, a list of applications recommended for financing will be drawn up, with the sum of requested grants nearly equal to the budget available for each call for proposals.

Please note that given the proper justification, GITA reserves the right not to allocate all the funds available as per budget of each call for proposals.

The final decision for financing under the Startup Matching Grants is made by GITA's IIC.

All grant Applicants will be informed accordingly about the outcomes of the selection process and the list of selected project proposals will be published on the websites of GITA and the Ministry of Economy and Sustainable Development.

Following the financing decision, the selected applicants will be offered to sign the Financing Agreement.

#### **5.4. Negotiations and award of grants**

An on-the-spot verification of Applicants proposed for financing may be performed by the Environmental Specialist in order to establish the situation on the spot, that is, whether/how the situation in the field complies with the information presented in the Application and the documentation submitted.

Following these controls, each Applicant proposed by the IIC for financing will be invited to enter into contract negotiations with GITA. The purpose of these negotiations is to solve all ambiguities that emerged during the evaluation and to obtain any required revisions of the proposals. Negotiations may cover budget (in terms of the cost eligibility criteria), any, technical or legal aspects of the proposal.

The documents listed in section 4.3 of this manual will be requested from the selected applicants.

## **6. IMPLEMENTATION AND MONITORING OF THE PROJECT**

### **6.1. Implementation of the Project**

After signing the Financing Agreement, the Main Applicant will be identified as the Beneficiary. The Beneficiary is required to carry out the project diligently and efficiently in accordance with the terms of the Startup Matching Grants Program and the Financing Agreement and with sound technical, economic, financial, managerial, environmental and social standards and practices. The Beneficiary is required to maintain policies and procedures adequate to enable GITA to

monitor and evaluate the progress of the project and the achievement of its objectives.

The Beneficiary is required to carry out the project in accordance with the provisions of the Environmental Management Framework and the Environmental Management Plan (where applicable) and to take in a timely manner all measures to enable GITA to monitor the provisions of the Environmental Management Plan.

The Beneficiary shall use the financing in accordance with the Approved Project Budget, maintain a financial management system and prepare quarterly financial reports in accordance with consistently applied accounting standards, on a cash basis, both in a manner adequate to reflect the operations, resources and expenditures related to the project.

The Beneficiary on a quarterly basis will submit a Project Financial Report, including the Statement of Expenditure (SOE), Designated Account Reconciliation Statement (**Attachment MG6**), the bank statement from the designated account, as well as copies of the relevant receipts and invoices, for review to GFMES.

The Beneficiary shall also submit quarterly progress reports, which will be reviewed in parallel to the Financial Reports.

The Beneficiary will permit GITA, the World Bank, and/or persons or auditors appointed by GITA to inspect and audit its accounts and records and other documents relating to the Project and performance under the Financing Agreement. Any failure to comply with this obligation may constitute a prohibited practice subject to Financing Agreement termination by the GITA.

The Beneficiary shall enable GITA and/or the World Bank to review/monitor the implementation of the project, its operation and any relevant records and documents and prepare and furnish to GITA and the World Bank all such information as GITA or the World Bank shall reasonably request relating to the implementation of the project.

The Beneficiary is required to implement the project in accordance with the Project Proposal. Any significant deviation from the Project Proposal such as delay in project completion within timeframes defined in the Project Proposal or whenever proposed milestones are not achieved, requires prior written consent from GITA. The Beneficiary may request a no-cost extension of the project implementation period. Such requests will be granted only in exceptional and justified circumstances, and must be duly evidenced to accommodate their appraisal.

Beneficiaries are also expected to provide periodic updates every year to GITA for up to five (5) years after the conclusion of the project covering key performance indicators and financial information in the format requested by GITA. The Beneficiary might as well be requested to participate in the thematic meetings organized by GITA and present these results or success stories to the meeting audience.

## **6.2. Disbursement**

The Beneficiary shall open a designated bank account only to be used for the purposes of the project, and the disbursements from GITA as well as the match (co-financing) from the Beneficiary will be deposited in this account. All payments, in the frame of the project, shall be done through this designated bank account. Costs covered using cash (petty cash) will be declared as ineligible.

Grant funds to the Beneficiary will be issued in quarterly tranches; a Withdrawal Application Form (**Attachment MG8**) will be used by the Beneficiary to request grant tranches from GITA. The first installment will be transferred to the Beneficiary's designated bank account based on the Financing Agreement, however all further tranches shall be provided on the basis of quarterly progress and financial reports of the previous period.

The Financial report (**Attachment MG6**), including SOE, Designated Account Reconciliation Statement, supported by the documents and bank statement will be reviewed and cleared by the GFMEs before the next tranche is disbursed by GITA.

Prior to the quarterly disbursement, the Beneficiary must submit, along with the quarterly progress and financial report, a bank account statement showing that the Beneficiary has deposited in the designated account its share of co-financing sufficient for the respective advance disbursement from GITA.

Prior to quarterly disbursement, the Beneficiary must submit quarterly progress and financial reports within two (2) weeks after the last calendar day of the project quarter along with other required documentation.

The review and approval of the reports will take approximately four (4) weeks and may be subject to an on-site monitoring visit as described in Section 6.3.

The Beneficiary is allowed up to fifteen percent (15%) of variations from the total Approved Project Budget within any of major budget categories. Should the expenses variations related to any major budget category be expected to exceed fifteen percent (15%) during the course of the project, a written request for funds reallocation must be submitted for GITA's approval.

GITA reserves the right to suspend or terminate the financing under the Financing Agreement, and request a refund of all or any part of the amount of the financing disbursed, in the event that the Beneficiary fails to perform any of its obligations under the Financing Agreement.

### 6.2.1. Calculation of disbursement and balances:

For the sake of smooth implementation of the project, the disbursement amounts and schedule (see Table 3 - Disbursement Schedule) should correspond to the following plan:

- A) The first advance disbursement shall equal 100% of the grant portion<sup>20</sup> of the approved project budget for the 1<sup>st</sup> reporting quarter plus 50% of grant portion of the budget for the next (i.e. 2<sup>nd</sup>) reporting quarter and be paid after Financing Agreement is signed. In support and prior to receiving this payment, Beneficiary shall submit:
- i. Withdrawal application;
  - ii. Proof of co-finance sufficient for the first advance disbursement<sup>21</sup>, deposited to the designated bank account.
- B) Further, each advance disbursement may equal 50% of the grant portion<sup>22</sup> of the budget for the current reporting quarter plus 50% of grant portion of the project budget for the next reporting quarter. In support and prior to receiving this payment, Beneficiary shall submit:
- i. Withdrawal Application;
  - ii. Proof of co-finance sufficient for the respective advance disbursement<sup>23</sup>, deposited to the designated bank account;
  - iii. Quarterly progress report;
  - iv. Quarterly financial report.
- C) The last advance disbursement may equal 50% of grant portion<sup>24</sup> of the budget for the last reporting quarter. In support and prior to receiving this payment, Beneficiary shall submit:
- i. Withdrawal Application;
  - ii. Proof of co-finance sufficient for the final advance disbursement<sup>25</sup>, deposited on the designated bank account;

In order to reconcile the last advance payment a Beneficiary shall submit

- iii. Final progress report;

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<sup>20</sup> Total project budget less the co-financing contribution

<sup>21</sup> The co-financing contribution deposited to the bank account shall correspond to percent of co-finance indicated in the financing agreement

<sup>22</sup> Total project budget less the co-financing contribution

<sup>23</sup> The co-financing contribution deposited to the bank account shall correspond to percent of co-finance indicated in the financing agreement

<sup>24</sup> Total project budget less the co-financing contribution

<sup>25</sup> The co-financing contribution deposited to the bank account shall correspond to percent of co-finance indicated in the financing agreement

iv. The financial report for the last reporting quarter

**Table 3: Disbursement Schedule**

<b>Disbursements</b>	<b>Calculation</b>	<b>Basis for the payment</b>
<b>1<sup>st</sup> advance disbursement</b>	100% of the grant for the first reporting quarter  plus 50% of the grant for the 2 <sup>nd</sup> reporting quarter	<ul style="list-style-type: none"> <li>• Financing Agreement</li> <li>• Withdrawal application;</li> <li>• Proof of co-finance sufficient for the first advance disbursement, deposited on the designated bank account.</li> </ul>
<b>2<sup>nd</sup> and further advance disbursements</b>	Up to 50% of the grant for the current reporting quarter  plus 50% of the grant for the next reporting quarter	<ul style="list-style-type: none"> <li>• Withdrawal Application;</li> <li>• Proof of co-finance sufficient for the respective advance disbursement, deposited on the designated bank account;</li> <li>• Quarterly progress report;</li> <li>• Quarterly financial report.</li> </ul>
<b>The last* advance disbursement</b>	Up to 50% of the grant for the last reporting quarter	<ul style="list-style-type: none"> <li>• Withdrawal Application;</li> <li>• Proof of co-finance sufficient for the final advance disbursement, deposited on the designated bank account;</li> </ul>

\* The final progress report, the financial report for the last reporting quarter shall be submitted after the implementation period is over

In addition to the above-mentioned calculation each advance payment and final disbursement, except for the first one, may be further reduced by the unspent balance whenever this underspend is caused by the savings or the delay in the implementation of activities. Should such case arise a beneficiary shall submit the updated timeline and the amended budget to request the reallocation of funds, unless a delay in activities prevents the implementation of the project. Should latter be the case the contract will be suspended according to the provisions of the Financing Agreement.

In case there are ineligible costs identified in the Financial Reports, the Beneficiary will not be

entitled to receive the next disbursement until the corresponding amount is refunded back to the project account.

**At the end of the implementation period, a Beneficiary shall refund any unspent balance or ineligible costs identified as a result of revisions/checks conducted by GITA or the Auditors no longer than 30 days after receipt of notification requesting the amounts due to the Implementing Agency.**

### **6.3. Monitoring of the Project**

Prior to disbursement of funds to the Beneficiary, monitoring of the project is required by GITA. The purpose of the monitoring is to assess the progress of the project in implementing the task activities, and to assure that financial expenditures are in accordance with the Approved Project Budget for the given period. Methods of monitoring include:

- A) Review of submitted quarterly progress and financial reports (by the GFMES);
- B) On-site monitoring visits, as needed;

The Beneficiary must submit quarterly progress and financial reports through matching grants web portal, within two (2) weeks after the last calendar day of the project quarter. This quarterly reporting is a requirement for the duration of the project, or until all project activities are completed and the project is formally closed. GITA will perform on-site monitoring visits annually or more often if necessary and as determined by GITA. Upon review and approval of the reports by GITA and positive outcome of the on-site monitoring visit (when applicable) the project financing for the next quarter will be disbursed.

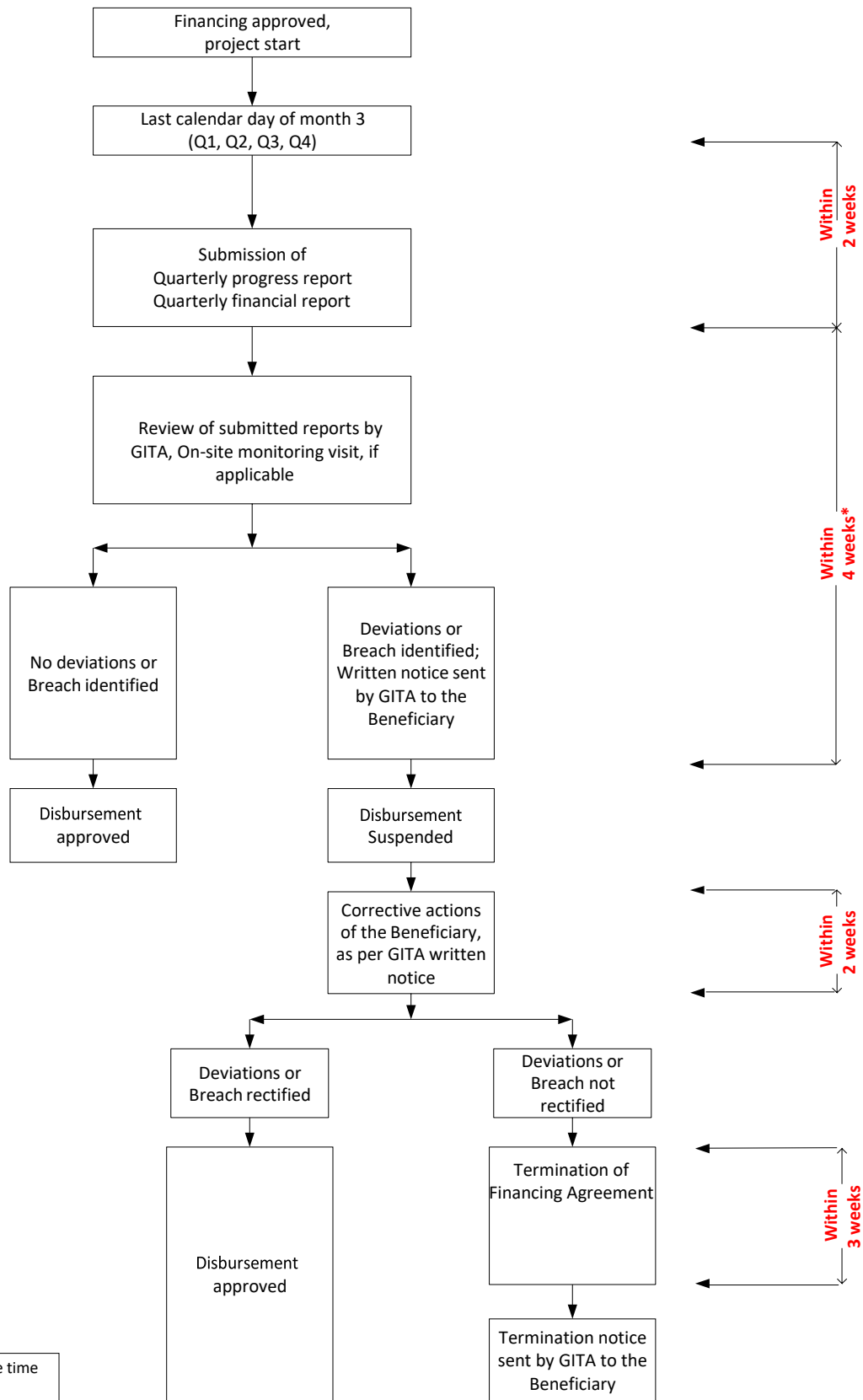
After the project is fully completed, the quarterly financial (covering the last project quarter) and final progress reports must be submitted to GITA within four (4) weeks after the last calendar day of the project.

GITA will check the submitted report within four (4) weeks after reports are submitted, identify the deviation or breach (if any) and communicate them with the Beneficiary.

The Financing Agreement may be the subject to termination in the event the Beneficiary fail to take corrective measures within 2 weeks after the receipt of notification with the request for clarifications/corrections.

For the comprehensive picture on the monitoring procedure, please see **Figure 2**.

**Figure 2: Monitoring Procedure**





### 6.3.1. Reporting

Two (2) weeks after the last calendar day of the project quarter, the quarterly progress and financial reports must be submitted along with other required documentation as per Sections 6.2.1 and 6.4.2. This is followed by an on-site monitoring visit (when applicable) that will be conducted by GITA staff. Upon review and approval of the reports and upon positive outcome from the on-site monitoring visit, the Beneficiary will be eligible for disbursement for the next quarter.

For deviations in the quarterly progress and/or financial report that can be corrected or justified and are not a result of the Beneficiary's mismanagement of financials or the project, the Beneficiary will be required to update the quarterly progress and/or financial report and resubmit it to GITA as per GITA's written notice. Additional check-ups by GITA will be done. The payment will be preceded after the updated progress and/or financial reports are approved.

The templates for the quarterly and final progress and financial reports will be available through the Matching Grants web portal.

**Each report has to be signed and stamped (if applicable) by the representative authorized by the Beneficiary**, each report has to be scanned and uploaded per provided file templates. Quarterly progress- and financial- reports should be accompanied with copies of supporting documents and bank account statement relevant for previous quarter. Bank account statements should show all relevant transactions related to submitted supporting documents. Furthermore, designated bank account statements have to show that the Beneficiary has secured its share of co-financing sufficient for the next disbursement.

**Note that Beneficiary shall not disburse from or deposit into this designated bank account any funds not related to the project.** In addition to the formal reports required under the Financing Agreement, it is the Beneficiary's obligation to report significant project events to GITA, positive or otherwise. As a contributor to the project, GITA would like to be kept abreast of the project status. In the event of favorable variations or unforeseen problems, GITA's early awareness will enable GITA management to work with the project team in implementing any necessary changes to project activities, including re-scheduling and re-budgeting.

Any changes to the project (e.g. regarding project implementation, timelines, project budget, deliverables, project staff, etc.) should be communicated to GITA in writing as they require GITA's written consent. Such changes may not be effective before the written consent is issued to the Beneficiary.

### 6.3.2. Progress Report

The purpose of the progress reports is to enable GITA to monitor project progress and to assist in making decisions regarding the continued funding of the project. Timelines, conciseness, and agreement with the Project Proposal are key features of the progress reports.

The period of reporting covered in the progress report should coincide with the period in the accompanying financial report. The progress report will be reviewed by GITA only after both, progress and financial reports are received. This will enable GITA to associate completed tasks and activities reported in the progress report to the relevant expenditures in the financial report.

Progress reports submitted to GITA will be treated as confidential to the extent described in the Financing Agreement. Nonetheless, proprietary or commercially sensitive information should be identified as such.

### **6.3.3. Financial Report**

The purpose of the Financial Report (**Attachment MG6**) is to enable GITA to monitor actual expenditures on the project and to assist decisions relating to the continued financing of the project.

All expenses incurred in GITA-supported projects for the actual period must be itemized in accordance with Approved Project Budget as per Financing Agreement, and all payments from the designated bank account in all categories should be shown. **Expenditure is recognized on a cash basis.**<sup>26</sup> No depreciation will be provided in these statements as per financial management requirements. Similarly, the Beneficiary will recognize salaries as an expense at the moment of payment (accruals will not be eligible for financing). Financial reports should include supporting documentation related to the payments and proof of purchase, such as bank account statements and payroll calculations for salaries, travel expenses calculations, contracts (if applicable), invoices, delivery receipts, service delivery reports, bank payment orders for all purchases, contracts and consultants, etc.

Monitoring by GITA will include verification of compliance between Quarterly Financial Reports with Approved Project Budget and detailed verification of all supporting documentation.

If any concerns arise during the review of the financial report by GITA, the Beneficiary may be asked to submit additional documentation. The Beneficiary is expected to maintain financial records for the project sources and uses of funds separate from the other existing and/or future projects for the period of the project duration.

### **6.3.4. Monitoring Visits**

The purpose of the on-site monitoring visit by the GITA Grants Financial Monitoring and Evaluation Specialist and other GITA representatives is primarily to verify that project, environmental and financial activities are occurring as reported and as stated in the approved project documents. GITA will perform on-site monitoring visits annually or more often, if necessary and as determined by GITA.

The GFMES will notify the Beneficiary in writing by email at least one (1) calendar week in advance

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<sup>26</sup> Expenditure recognition on a cash basis means that the Beneficiary records expenses in financial accounts as cash is paid out for purchases, and in the same manner, the fixed assets held by the Beneficiary are shown in the project budget (or in financial reports prepared for GITA) at the cost at the moment of purchase.

about the on-site monitoring visit. The notification will outline the purpose of the visit, what is to be reviewed, and who should attend the meeting during the on-site monitoring visit. In turn, a beneficiary shall provide the representatives of the Implementing Agency with the documents or information necessary for the monitoring visit, as well as accommodate the presence of the persons requested by GITA.

Monitoring visits will typically include a review of project implementation (e.g. procedures, milestones with measurable results, timelines, tasks, agreements, policies and financial documentation) as well as in-person meetings with relevant project team members.

At the end of on-site monitoring visit the GFMS and other GITA representatives will discuss, with relevant project team members, findings from the meeting and clarify any corrective actions to pursue after the visit. If the on-site monitoring visit has identified any concerns, the Beneficiary will be required to correct deficiencies within agreed timelines. The further financing depends on the severity of problem and it might be suspended until the deficiencies are corrected.

#### **6.4. Master File**

Beneficiary should create a master file at the beginning of the project period. This master file should include the following documentation and each folder/binder should be referenced with letters and titles as described below:

##### (C) Correspondence

- Any email or official documentation exchanged between the Applicant and GITA during the application period (e.g. response from GITA's independent Investment Committee, notifications from GITA, etc.);
- Any email or official documentation exchanged between the Beneficiary and GITA during the project implementation;

##### (F) Award notification and financing Agreement;

(P) Proposal - Application and supporting documentation as specified in Section 2 of this manual;

##### (R) Implementation

- Progress Reports
- Financial Reports inclusive all supporting documents (such as copies of invoices, agreements, payment documents, etc.)

During the on-site monitoring visit the master file must be made available.

#### **6.5. Termination of Financing**

The GITA may suspend and/or terminate the financing, upon its sole discretion, in whole or in part,

in the instance of a breach of any terms of the Startup Matching Grants Program or the Financing Agreement, including but not limited to:

- 6.5.1 Failure of the Beneficiary to provide, promptly as needed, the resources required for project implementation, including failure to deposit the co-financing amounts set forth in the Financing Agreement at the dates specified in the Financing Agreement;
- 6.5.2 Failure of the Beneficiary to use the financing as defined in the Approved Project Budget including reallocation of more than 15% of the Approved Project Budget by Beneficiary without prior written consent of GITA;
- 6.5.3 Significant failure of the Beneficiary to carry out the project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines, providing false information during any stage of the project Application, evaluation or implementation and in instances of gross misconduct or fraud;
- 6.5.4 Failure of the Beneficiary to carry out the project in accordance with the national environmental legislation and the EMP/ESMP, if applicable, and to undertake in a timely manner all measures to enable GITA to monitor compliance of Beneficiary's performance with the ESMP;
- 6.5.5 Failure of the Beneficiary to maintain policies and procedures adequate to enable GITA to monitor and evaluate the progress of the project and the achievement of its objectives;
- 6.5.6 Failure of the Beneficiary to 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;
- 6.5.7 Failure of the Beneficiary to have financial statements audited at GITA's request by independent auditors acceptable to GITA, in accordance with consistently applied auditing standards, and promptly furnish the statements as so audited to GITA;
- 6.5.8 Failure of the Beneficiary to enable GITA and/or the World Bank to inspect the implementation of the project, its operation and any relevant records and documents and prepare and furnish to GITA and the World Bank all such information as GITA or the World Bank shall reasonably request relating to the implementation of the project;
- 6.5.9 Failure of the Beneficiary to inform GITA of any significant changes to the project (e.g. regarding project implementation, timelines, project budget, deliverables, project staff, etc.).

In case of suspension of financing, GITA will send a written notice to the Beneficiary with information about the existence of a breach and with request to the Beneficiary to rectify the breach within two (2) weeks after the date of receipt of the notice. In the case the Beneficiary does not resolve the default, GITA has the right to terminate the Financing Agreement.

**In case of termination of financing due to the breach of any terms of the Startup Matching Grants or the Financing Agreement, the Beneficiary will be required to refund all or any part of the amount disbursed by GITA under the Financing Agreement.**

If the Beneficiary terminates the Financing Agreement or abandons the project, the Beneficiary shall be obliged to refund to GITA the entire amount disbursed to the Beneficiary.

## **7. Attachments**

Attachment MG1 - Environmental and Social Management Framework-ESMF

Attachment MG2 - Sample Business Plan

Attachment MG3 - Project Budget template

Attachment MG4 - 5-year financial forecast

Attachment MG5 - Applicant's Statement

Attachment MG6 - Financial Report Forms

Attachment MG6a - Quarterly progress report

Attachment MG6b - Final Progress Report

Attachment MG7 - Procurement Forms

Attachment MG8 - Withdrawal Application Form

Attachment MG9 – Matching Grants Financing Agreement