



**GEORGIA**

**Georgia's Innovation and Technology Agency**

**STARTUP MATCHING GRANTS MANUAL**

**March 2022**

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## **ABBREVIATIONS AND ACRONYMS**

GITA	Georgia's Innovation and Technology Agency
IIC	Independent Investment Committee
IP	Intellectual Property
MGs	Startup Matching Grants (Program)
Project	Startup Matching Grants Program Applicant's project
Program	Startup Matching Grants Program
Q&A	Questions and Answers
R&D	Research and Development
SOE	Statement of Expenditures

## 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.
<b>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>Independent Investment Committee</b>	An independent decision-making body Established 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 and Technology Agency (GITA)
<b>Desk Review</b>	The first stage of the proposal evaluation process, where applications are checked against administrative and eligibility and IP compliance.
<b>Pre-evaluation Stage</b>	The second stage of the proposal evaluation process, where applications are evaluated at least by two independent international peer reviewers against the criteria set forth under Section 5 of this manual.
<b>Pre-selected Applications</b>	A list of top 50 project proposals for final evaluation, ranked by score. If the 50th and subsequent applications in the ranking have equal total scores, all the mentioned applications with equal scores will go to the final stage.

**Negotiation Stage**

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

**Implementing Agency**

Georgia's Innovation & Technology Agency under the Ministry of Economy and Sustainable Development of Georgia (MoESD) is the Project implementing agency and, subsequently, the MGs Program administrator.

GITA will also support costs of administration of the MGs program, training and coaching to grant Applicants and winners. The training and coaching will be provided by a network of experts coordinated by GITA.

**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>1</sup> products and services with the potential for internationalization.

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

SMGs are one of the most common funding instruments across both developed and developing economies used in fostering innovation. Innovativeness can refer to products and services, as well as to the technology and process. Table 1 below summarizes the main characteristics of the program.

**Table 1: Startup Matching Grants Program – Main Characteristics**

	<b>Startup Matching Grants</b>
<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 150'000
<b>Duration</b>	Up to 9 months
<b>Co-financing (financial contribution)</b>	At least 10% of total project costs <b>preferably from private, and excluding public grant sources.</b>

In the course of the MGs Program, Calls for Proposals will be announced according to the annual budget allocation of grant money. Total budget allocated for each Call for proposals under Startup Matching Grants will equal to 3 million Georgian Lari.

The financing to be awarded by GITA through Startup Matching Grants could cover a maximum of 90 percent up to GEL 150,000 of the total approved Applicant's project budget for a 9 months 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. 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 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.

## **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 documents submitted.

### **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 (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);
4. The majority 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 (including World Bank-funded program – Startup Matching Grants);
6. Natural Person should not be a shareholder more than two (2) awarded Applicant (including World Bank-funded program – Startup Matching Grants).

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.



## **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:

The military, nuclear technologies, production of spirits, tobacco, and hazardous substances. Projects/activities related to the wine industry are considered as eligible, as long as they do not also relate to production of spirits.

## **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.

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;
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;
3. R&D services, subcontracts. 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;
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, profit and import tax as per exemptions provisioned for grantees in the relevant Articles of the Tax Code of Georgia. 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.
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 or renovation of buildings.

Apart from the ineligible costs, the Applicants, later identified as Beneficiary(ies) shall not Make payments in physical cash and shall only pay for costs incurred for project purposes from the designated bank account.

## **3. PROCUREMENT PROCEDURES**

### **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, GITA 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 GITA 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 GITA’s inspection and audit rights.

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 of Confidentiality Policy and Prevention of Conflict of Interest Policy;
- Acceptance of terms with respect to Intellectual Property and know-how requirements;
- Other conditions specified in the Applicant statement.

##### **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 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 SMG5) – in English and Georgian;
- Business plan (Attachment SMG2) - in English and Georgian;
- Project budget (Attachment SMG3) - in English and Georgian;
- Financial Forecast (Attachment SMG4) - 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 - in Georgian. Except for when start-up is represented by the natural persons;
- If applicable, Applicant's latest accounts from the revenue services, namely in Georgian (Except for when start-up is represented by the natural persons):
- 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)

**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. Applicants will be given up to one month following the award decision to provide GITA with such proof;
- Extract from Registry of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities by NAPR, if applicable. 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;
- 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**

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. The applicants will not be able to submit any application after the submission deadline.

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 (including World Bank-funded program – Startup Matching Grants).

Natural Person should not be a shareholder more than two (2) awarded Applicant (including World Bank-funded program – Startup Matching Grants).

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

Evaluation process is composed of three key stages. These stages are desk review, pre-evaluation and final evaluation.

### **5.1. Desk Review**

After submission deadline, all proposals will undergo a desk review. Each proposal will first of all be checked against eligibility compliance.

Any proposed project that contains activities included in the exclusion list will be turned down at the desk review stage.

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. Exceptions are cases when the agency automatically generates information / documentation through the external services on the grants portal (from the Revenue Service and the Public Registry).
- 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. The IP review is strictly advisory in nature.

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 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 independent 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.

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

Each Application that meets desk review criteria will be individually evaluated at least by two independent and unbiased international peer-reviewers. Each Peer Reviewer will have business/market knowledge and related experience relevant for the 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 presented in the proposal budget, as well as their adequacy and consistency with the business and activity plans. Peer reviewers have to provide consensus merit-based scores and a comments on each proposal, highlighting the strengths and weaknesses of the Application and indicating any issues that might be clarified with an Applicant at the interview. If initially assigned two peer reviewers do not agree on consensus scores and comments, there should be assigned additional expert/experts. So consensus score should be decided by a majority of votes of assigned peer experts.

Evaluation Criteria and scoring principles: The peer reviewers will assess each proposal against the evaluation criteria identified in Table 2 below. They are entitled to arrange up to 15 minutes interview (online/offline) with Applicant. They will assess the proposal and provide a 1-10 score for each criterion where 10 indicates the strongest possible score on the criterion and 1 indicates the weakest possible score.

Each criterion is assigned with weights due their importance (criterion I -20%, Criterion II -20%, Criterion III – 20%, Criterion IV – 10%, Criterion V – 15%, Criterion VI – 15%). Thus, each proposal can achieve a maximum of 100 points.

**Table 2.**

<p><b>Criteria 1. Team</b></p>	<p>Is this team a compelling fit to THIS opportunity at THIS time? Also includes: Do they clearly understand their customer and the problem? Did they demonstrate Domain Expertise? Are there any critical gaps in the team?</p>
<p><b>Criteria 2. Market Size / Scope / Opportunity</b></p>	<p>How big does this get? How significant of a venture does this become if it succeeds? Also includes: How significant is the problem they are solving? How competitive is the space? Dominated by a few well-funded players, or fragmented? What is the scope of the market: local, regional, global?</p>
<p><b>Criteria 3. Value Proposition</b></p>	<p>The solution solves a clear, significant problem “worth solving”. The tech/product delivers (or will be capable of delivering) a compelling value proposition that produces verifiable benefits to target customers</p>
<p><b>Criteria 4. Business Model</b></p>	<p>Are there signs of business model that works? Is it evidenced by paying customers? Did they conduct experiments to determine what model works and what does not?</p>
<p><b>Criteria 5. Go to market strategy</b></p>	<p>Are there signs that the start-up is testing things out. Did they clearly outline their marketing funnel/method? Do they understand what works and what does not, what it costs and what it gets? Do they have a good understanding of costs to get customers?</p>
<p><b>Criteria 6. Competitive Positioning</b></p>	<p>How compelling is the advantage or innovation at the core of the offering? What is the competitive advantage of the start-up and which are the potential competitors? Also includes: Is there a significant IP, or potential for IP.</p>

Peer reviewers have to provide list of top 50 Pre-selected Applications for final evaluation, ranked by score. If the 50th and subsequent applications in the ranking have equal total scores, all the mentioned applications with equal scores will go to the final stage.

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 GITA.

After training session completion, pre-selection results along with a corresponding explanatory narratives will be provided to the Independent Investment Committee (IIC) members to proceed with the evaluation process.

### **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 International Business, Investment Strategy, Innovative R&D, Product Development and Commercialization.

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.

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 same evaluation criteria used by the peer reviewers.

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.

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

An on-the-spot verification of Applicants proposed for financing may be performed by GITA 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 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 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 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 and Progress Reports, including the Statement of Expenditure (SOE), Designated Account Reconciliation Statement (**Attachment SMG6**), the bank statement from the designated account, as well as copies of the relevant receipts and invoices, for review to GFMES.

The Beneficiary will permit GITA, 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 to review/monitor the implementation of the project, its operation and any relevant records and documents and prepare and furnish to GITA all such information as GITA 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 to GITA for at least (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 SMG8**) 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.

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. Quarterly reports should be submitted on the Grants Portal.

The Beneficiary is allowed up to fifteen percent (15%) of variations from the total Approved Project Budget within any of major budget categories. This permission does not apply to the category of salary expenditures. Should the expenses variations related to any major budget category be expected to exceed fifteen percent (15%) during the course of the project, a prior 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. In case of termination, the beneficiary shall not refund spent funds that are already recognized as eligible by the agency.

### **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 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:

1. Withdrawal application;
2. Proof of co-finance sufficient for the first advance disbursement, deposited to the designated bank account.

B) Further, each advance disbursement may equal 50% of the grant portion 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:

1. Withdrawal Application;
2. Proof of co-finance sufficient for the respective advance disbursement, deposited to the designated bank account;
3. Quarterly progress report;
4. Quarterly financial report.

C) The last advance disbursement may equal 50% of grant portion of the budget for the last reporting quarter. In support and prior to receiving this payment, Beneficiary shall submit:

1. Withdrawal Application;
2. Proof of co-finance sufficient for the final advance disbursement, deposited on the designated bank account;
3. Quarterly progress report;
4. Quarterly financial 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.

**After 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;
- 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. If necessary, GITA will perform on-site monitoring visits annually or more often and as determined by GITA. Upon review and approval of the reports by GITA 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, 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.

#### **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 Section 6. 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.

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 SMG6**) 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.** 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 representatives is primarily to verify that project progress and financial activities are occurring as reported and as stated in the approved project documents. GITA will perform on-site monitoring visits if necessary and as determined by GITA.

GITA will notify the Beneficiary in writing by email at least one (1) calendar week in advance 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 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 4 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 to inspect the implementation of the project, its operation and any relevant records and documents and prepare and furnish to GITA all such information as GITA 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 SMG2 - Sample Business Plan

Attachment SMG3 - Project Budget template

Attachment SMG4 - 5-year financial forecast

Attachment SMG5 - Applicant's Statement

Attachment SMG6 - Financial Report Forms

Attachment SMG6a - Quarterly progress report

Attachment SMG6b - Final Progress Report

Attachment SMG8 - Withdrawal Application Form

Attachment SMG9 – Matching Grants Financing Agreement