



GUIDELINES FOR APPLICANTS

DECARBONISATION AS A DRIVER FOR SUSTAINABLE DEVELOPMENT

DECARBONISATION CHALLENGE FOR SMALL AND MEDIUM ENTERPRISES



March 2021

1. BACKGROUND AND RATIONALE

As a potential candidate country to the European Union (EU), and the EU being the key trade partner to Bosnia and Herzegovina (BIH), the country will need to speed up the EU integration process and the legislation transposition efforts to be able to grow into a modern European economy. With the newly-adopted [European Green Deal](#) and its ambitious and transformative goal of making the continent and its economy climate neutral by 2050, the EU has become a global inspiration for a different growth model that the countries aspiring to join the EU, like BIH, will need to adhere to. The starting points is not particularly bright – the country's transitional economy is among the least competitive in the region and heavily relies on the exports of carbon-intensive energy and resources like metals and wood as well as on remittances and foreign aid. Although some progress has been made in recent years regarding legislation considering economic instruments for environmental protection and incentivising some “green” economic areas like sustainable tourism, the general understanding, acceptance and implementation of circularity principles is limited especially in light of the launch of the carbon border adjustment mechanism (CBAM) for selected sectors, scheduled for 2021.

The COVID-19 pandemic abruptly disrupted progress towards achieving many of the SDGs and, in some cases, reversed decades of progress. The crisis has impacted all people everywhere, all sectors of the economy, and all areas of the world.

[UNDP's COVID-19 Economic Impact Assessment](#) showed that **majority of companies in BIH have faced their normal business capacity utilization decrease as a result of COVID-19-related safety measures**, while intensive labour cost cutting actions have been taken across sectors. One in every two persons laid off were women. However, one of the key take-aways of the COVID-19 Economic Impact Assessment is that a **strong recovery potential lies in the development of new and innovative business models that take into account environmental policies and standards**, which are particularly important for the energy transition of a one of Europe's most energy inefficient and carbon-intensive economies.

In line with [SDG 9 - industry, innovation and infrastructure](#), [SDG 12 – responsible consumption and production](#), [SDG 13 – climate action](#) and the new [EU Agenda for the Western Balkans](#) as part of the European Green Deal, actions aimed at decarbonisation and development of sustainable consumption and production and environmentally sound technologies increase the utilization of physical assets, prolong their life span, and shift the use of resources from finite to renewable ones. Moreover, each action reinforces and accelerates the performance of the others. Separately and together, they could have a profound social, economic and environmental impact, increasing cost competitiveness substantially and supporting fitness of the company for doing business in the 21st century.

Further on, a [CO2 calculator and offsetting marketplace developed](#) by the UNDP Accelerator Lab in BIH showed some initial interest of the private sector in the matter of decarbonisation¹ and investments in climate action in BIH.

The herewith proposed SMEs Decarbonisation Challenge has an aim to engage small and medium enterprises from Bosnia and Herzegovina in a transformational journey towards:

- a. **Decreasing their energy intensity;**
- b. **Fuel switch from fossil fuels to renewables;**
- c. **Controlling GHG emissions;**

¹ Phasing out of carbon dioxide emissions from the use of fossil fuels

d. Controlling air pollutant emissions.

The goal of the Challenge is to support companies in development of a tangible approach to decarbonizing their business operations.

The stimulus packages to support the economic recovery will only be effective and sustainable if they support the transition to a resource-efficient, green and circular economy.

Following the results and lessons learned in the implementation of the [Green and Sustainable Economic Recovery pilot scheme](#) implemented in late 2020, UNDP in BIH intends **to widen the portfolio of solutions for a sustainable economic recovery and support further transformation of business practices in BIH towards carbon neutrality and resource circularity.**

This intervention is financed by Sweden and implemented by the UNDP's SDG Roll-Out Support and Private Engagement Project.

2. OBJECTIVES

The purpose of this intervention is to assist the post-pandemic economic recovery in BIH by **engaging a selected group of SMEs interested in pursuing transformative actions in “building back better” by applying the requirements of decarbonisation to their business operations based on SDGs.**

This intervention is looking to identify and engage five companies from BIH to recover smarter and better, and to setup sustainable approaches for future operation by piloting specific short-term interventions that would contribute to the decarbonisation of their business operations.

The newly introduced business models or practices entail that not only their environmental impact is minimized, but that the economic and social impact is positive, leading to sustainable growth and expanded business opportunities, even at a time of crisis. This is to lead towards a central aim of the [decarbonisation strategy](#) - getting to net zero emissions and stabilizing climate change that start with planning for the long-term future and not stopping at short-term goals. The intervention will also contribute to an improvement of air quality, another developmental issue in the country.

3. METHODOLOGICAL APPROACH, TYPE AND SCOPE OF THE SUPPORT TO BE PROVIDED TO THE SELECTED SMEs

Through the SMEs Engagement in Decarbonization Challenge, **UNDP is looking to engage up to five interested and committed companies to embark on the transformation journey towards climate neutral business operations.** The assistance process will be provided over the period April – September 2021. The indicative financial framework of support per business amounts to approximately BAM 30,000 (with minimum 30% contribution by a company).

The application is organized via this Public Call and through an **online application process.**

Since this challenge prioritises sustainable recovery by focusing on decarbonisation, in the application form, the interested SMEs will **need to demonstrate readiness to re-think and transform/adopt business models in order to start measuring/assessing and reporting their CO2 footprint** (initial calculation of the annual footprint can be calculated using the tool available at www.tvojCO2.ba) **and present ideas for decarbonization in line with SDGs, by introducing specific improvements, interventions or changes in the existing operational models.**

In their application, next to their **motivation letter that include ideas** to implement decarbonisation measures, the interested companies will also need to show how the pandemic impacted their business.

The ideas will need to support following concepts:

Decreasing their energy intensity through increasing energy efficiency of the facilities (thermal insulation, replacement of external joinery...), cogeneration plants, automation, and intelligent systems.

Increasing the energy efficiency in productive process with a focus on decreasing energy consumption and saving energy (recovery heat, change plants, automation, and regulation production plants, etc.).

Thermal and electric energy interventions can be activated from renewable energy sources.

Fuel switch from fossil fuels to renewables through off-grid solutions that fit the needs of the businesses concerned and contribute to its productive outputs, such as mini-grids in the electricity sector, as well as stand-alone renewable heating applications (solar thermal) and sustainable biofuels for transport.

Controlling GHG emissions from private sector sources using three R principles (reduce, reuse, recycle) from packaging to office supplies, to operations.

Controlling air pollutant emissions from private sector sources by reducing toxic emissions from industrial sources; reducing emissions from vehicles and engines through new stringent emission standards and cleaner burning gasoline; and addressing indoor air pollution through voluntary programs.

The goal of the Challenge is to support companies in development of a tangible approach to decarbonizing their business operations.

Once selected for participation in this challenge, SMEs will be offered:

- expert assistance customized to the selected company delivered on-premises, or in the form of blended on-site / online approach to benchmark the current status on energy and resource use (assessing the energy leaks and potentials for energy switch as well as assessing technological options for an overall reduction of GHG and air pollutant emissions from their business operations) and support preparation of a longer term transformation roadmap that would contribute to a more systemic decarbonisation effort, with measurable indicators of progress;
- small-scale investments in technology or materials essential to kick off or support transformation towards decarbonisation (up to 30,000 BAM per SME), in the framework of sustainability and circularity within the business.

This support is transformational in its nature and it focuses on identifying and rooting new sustainable approaches and business models based on decarbonisation. It combines technical assistance to companies in identifying decarbonisation measures as well as investments in equipment and/or materials to enable and sustain the new approach.

Each selected company will sign contract with UNDP in line with the UNDP Standard Operating Procedures for private sector engagement. Selected companies are expected to provide timely and effective access to their teams in the entire process.

At the end of the assistance, the following main results are expected to be achieved:

1. a basic benchmark CO₂ footprint target set for the company and a practical sustainable transformation roadmap for an operation area of company's interest designed;

2. at least 5 pilot interventions contributing to decarbonisation in selected businesses implemented;
3. a promotional campaign showcasing the local practices in decarbonisation and sustainability developed by UNDP for learning and scaling purposes.

4. WHO CAN APPLY?

The following applicants will be considered in the Challenge:

- SMEs registered and operating in BIH.

Priority will be given to applicant SMEs which come from:

- Economic sectors that have a significant impact on the environment through their operations.
- Export oriented SMEs.
- SMEs applying new technologies or new application of existing technological solutions, while also having GHG reduction impact that can be monitored and verified.
- New/improved business models or organization/production processes that are connected to measures that can also demonstrate tangible and concrete direct GHG reduction impact.

While UNDP seeks to support businesses recover from the negative effect of the COVID-19 pandemic, it also seeks to stimulate durable transition of polluting industries towards more sustainable business practice and offer hands-on support for introducing circular economy approaches.

5. ELIGIBILITY AND SELECTION CRITERIA

Eligibility criteria

In order to be considered eligible under this Challenge, a proposal (an online application form) by interested company must meet **all of the following criteria**:

General eligibility criteria

- The private sector organization is a legal entity, in private ownership and engaged in production and/or service activities.
- The private sector organization is operating for at least two years.
- The private sector organization has had a positive business output in the last fiscal year.
- The private sector organization has a certificate issued by fiscal authorities on regular payments of all taxes and levies.
- The company offers co-financing with own resources of a minimum 30% of total value of the proposed project.

The co-financing will be focused on purchase of equipment and optimisation of business processes. It will not include funding of salaries for staff. The co-financing may include financing of specific piece of equipment or provision of parts of the costs (minimum 30%) for purchase of necessary equipment. The amount and type of co-financing must be clearly stated in the budget and confirmed in the letter of motivation enclosed in the application.

Specific eligibility criteria

- Clear explanation of the intent to transform the business through decarbonisation outlined in the methodology above;
- Strong motivation by the company leadership and readiness to engage employees as necessary in the process (evidenced through a motivation letter);
- The company is not part of similar donor funded intervention at the time of the application;
- The interventions from each company can be implemented in 5 months;
- The proposed change does not pose additional pressures on the environment.

Any application which does not meet all eligibility criteria will not be considered for support.

Evaluation criteria

Each proposal which passed the eligibility check will be evaluated based on the following **substantive criteria**:

- The extent to which the applicant business case has transformative/disruptive potential;
- Applicant's demonstrated understanding of the decarbonisation visible from the application;
- Readiness to provide direct co-financing of the assistance (evidenced through a letter by the company leadership).

Additional criteria

Additional evaluation points will be awarded to proposals that:

- Support COVID-19 affected sectors (services, hotels and tourism, retail, agriculture and forestry, transportation, automotive industry, education).
- Envisage potential change in business models which are considering gender equality, equal opportunities for all and social responsibility.

6. APPLICATION FORM

Each application will include following set of mandatory documents:

- E-form for applications (filled in via the Internet and no paper submission required), that will include also the following documents:
 1. Evidence of registration (scanned copy of the original);
 2. A motivation letter and a letter confirming the co-financing amount signed by the official representative of the company, as required by the above qualification and evaluation criteria (signed and scanned originals).
 3. Proposed budget with clear indications for the co-financing (pdf.).
 4. Financial statements for 2020, signed and certified by a certified accountant (scanned copy of the original).

7. HOW TO APPLY?

The application form can be filled using following website: <https://zamisli2030.ba/bs/dekarbonizacija/>. The form also allows depository for the evidence of registration, motivation letter and financial statements.

8. DEADLINE FOR APPLICATION

The application is open until **11. April 2021. midnight.**

9. APPLICATION EVALUATION

Step 1 – Administrative compliance and eligibility check:

A team composed of UNDP representatives will perform an administrative compliance and eligibility check. This will confirm that the expressions of interest meet the following minimum requirements:

- The proposal was submitted on time;
- The proposal contains all the necessary documents;
- The applicant meets all eligibility criteria,

All proposals that pass the verification phase and meet all the above criteria will automatically move to the next phase.

Step 2 – Technical evaluation:

The Evaluation Committee will be composed of UNDP representatives and experts in the field. The evaluation committee will consider all proposals and prepare a ranking list of proposals. Quality of the proposals will be conducted based on a 0-1-2-3-4-5 scoring scale, as shown below.

CRITERIA	Maximum score
To what extent does the applicant's business case have a transformative potential / potential to cause change	5 * 2 = 10
The applicant shows understanding of concept of decarbonisation visible from the motivation letter	5
Willingness to provide co-financing in kind or directly (proven by a letter from the company's management)	5
ADDITIONAL CRITERIA	Maximum score
The proposal show readiness to engage employees as necessary in the process (evidenced through a motivation letter)	5
The proposal envisages potential changes in business models that take into account equal opportunities for all and social responsibility	5
TOTAL MAXIMUM SCORE	30

The evaluation committee will prepare a ranking list after evaluating all expressions of interest. UNDP will support up to the top 5 proposals from the final list based on overall budget availability.

The field visits will be undertaken to verify results and confirm final ranking, after which the Project Board will be presented for endorsement with the final list of SMEs selected to participate in the decarbonization challenge.

All applicants will be informed of the outcome of the evaluation process.

10. QUESTIONS AND ADDITIONAL INFORMATION

If you need more information or have specific questions? Send them to registry.ba@undp.org, with the title "SME engagement in decarbonisation challenge".

Answers to frequently asked questions will be published here: <https://zamisli2030.ba/decarbonisation-based-on-sustainable-development-goals/faq-decarbonization-challenge/>