

# **Innovation Fund**

## **COLLABORATIVE GRANT SCHEME Program**

### **GRANT MANUAL**

Version 4.0

February 22, 2021

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Dear Applicant,

The COLLABORATIVE GRANT SCHEME Program is designed to meet the identified need within the Serbian innovation ecosystem for project-based financial support which enables private sector companies and public sector scientific research organizations to work together and create high value-added products, services, technologies and technological processes through applicable R&D efforts.

Through this Program, the Innovation Fund aims to incentivize creation of new and expansion of existing collaborations between the industry and the academy and to contribute to higher R&D investments from the side of the private sector, as well as to facilitate better utilization of capacities within the public scientific research organizations.

Financing decisions will be made on a competitive basis through a two-step independent international evaluation process, led by the IF's independent Investment Committee (IC) and supported by independent technical peer reviewers. The number of awards will be determined by the quality of the proposals and is subject to the total funds available or allocated to the COLLABORATIVE GRANT SCHEME Program. State aid regulation is applied to the financing received by the Awardee from the IF through his Program in accordance with the Innovation Fund's Rulebook on applying state aid rules.

This Grant Manual provides information about the Program and its application procedures, while keeping in mind international best practices adapted to suit Serbian business conditions. We hope the information will help Applicants navigate easily through the process. Please do not hesitate to contact us with any questions.

This Grant Manual governs the implementation provisions of the COLLABORATIVE GRANT SCHEME Program and outlines procedures which are subject to modification based on the specific requirements of the Program's sources of financing (state budget of the Republic of Serbia, EU IPA funds, World Bank, other donor sources, etc.).

Additional information and the timetable with the application deadlines will be available through the IF website ([www.inovacionifond.rs](http://www.inovacionifond.rs)).

Wishing you success,

Ivan Rakonjac, PhD  
Managing Director

## DEFINITIONS

<b>Applicant</b>	A consortium applying for the Collaborative Grant Scheme Program, legally represented by the Lead Applicant of the consortium.
<b>Application</b>	The package of all necessary documents and data submitted by the Applicant.
<b>Approved Project Budget</b>	Project budget approved by the IF, integral part of the Financing Agreement.
<b>Awardee</b>	An eligible Applicant that receives a notice from the IF that it has been awarded financing and subsequently signed the Financing Agreement with the IF.
<b>Co-Applicant</b>	A private sector company and/or an R&D organization, both domestic and foreign, acting as part of the consortium, but not acting as the Lead Applicant/Lead Co-Applicant.
<b>Financing Agreement</b>	A document signed between the Awardee and the Innovation Fund, governing the terms and conditions of the financing under the Collaborative Grant Scheme Program.
<b>Final Settlement</b>	A legal document signed between the IF and the Awardee 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>Lead Applicant</b>	A private sector company acting as the lead entity in a consortium which is applying for this program in accordance with the Applicant eligibility criteria.
<b>Lead Co-Applicant</b>	A registered public (state-owned) Scientific Research Organization acting as the main partner in a consortium which is applying for this program in accordance with the Applicant eligibility criteria.
<b>Project</b>	Development of the current business activity as described in the Application.
<b>R&amp;D</b>	Research and development
<b>SRO</b>	Scientific Research Organizations, as defined by the Law on Science and Research of the Republic of Serbia.

## 1. PROGRAM DESCRIPTION

### 1.1. PROGRAM OBJECTIVES

The objective of the Collaborative Grant Scheme Program (Program) is to foster industry-driven research by incentivizing private sector companies and public sector R&D organizations to engage in joint R&D projects with the goal of creating new or improved commercially viable products and services, as well as innovative technologies with significant future impact and market potential.

### 1.2. AMOUNT AND TYPE OF FINANCING

Information regarding the total amount and source of funds allocated by the Innovation Fund (IF) for this public call for proposals can be found on the IF's official internet website, available at <http://www.inovacionifond.rs/programs/collaborative-grant-scheme-program/public-call-for-the-collaborative-grant-scheme-program>.

The maximum amount of grant financing which the IF can award per each individual project is **EUR 300,000**. The proposed total project cost is defined by the Applicant in the Project Budget template.

The grant financing awarded by the IF can cover:

- maximum of 70% of total project costs (Approved Project Budget) for projects whose Lead Applicant is a micro or small company,
- maximum of 60% percent of total project costs (Approved Project Budget) for projects whose Lead Applicant is a medium sized company.

Each Applicant must secure their own mandatory co-financing for the project in the following way:

- minimum of 30% of the total Approved Project Budget for projects whose Lead Applicant is a small or micro company,
- minimum of forty 40% of the total Approved Project Budget for projects whose Lead Applicant is a medium sized company.

Acceptable co-financing includes Applicant's own resources from operating revenue or cash, private investments, venture capital or private equity funding, industry partner financing or any other source of private contribution or for equity financing, as long as it excludes financing from the IF or other public sources. **A minimum of 30% of the grant financing (i.e. co-financing that the IF would contribute to the project) must be allocated in the Project Budget as compensation for the project activities conducted by the public Scientific Research Organization(s) within the consortium.**

State aid regulation is applied to the financing received by the Awardee from the IF through his Program in accordance with the Innovation Fund's Rulebook on applying state aid rules.

The grant financing approved by the IF is based on specific needs of every project, as originally submitted by the Applicant through their proposed project budget. However, before approving an Application for financing, the Innovation Fund's independent Investment Committee reserves the right to modify the proposed project budget to better reflect the project's proposed activities or to align the proposed project budget with the Program's rules and requirements.

## 2. RULES FOR THIS CALL FOR PROPOSALS

There are three sets of eligibility criteria, relating to:

- (1) the Applicants;
- (2) the types of projects that can be financed;
- (3) the costs (types of cost that will be taken into account).

### 2.1. ELIGIBILITY OF APPLICANTS

Each Application received until the deadline for submission of Applications will be reviewed for eligibility using the following criteria:

- The consortium's ***Lead Applicant must be a private sector micro, small or medium company<sup>1</sup> incorporated in Serbia, in accordance with the current Serbian Company Law in effect***, with operating annual revenue of at least EUR 200,000 (for the last fiscal year or for the current year, if applicable) and profitable;
- The consortium ***must include at least one public (majority state-owned) Scientific Research Organization registered and accredited in Serbia on the list of accredited scientific and research organizations provided by Ministry of education, science and technological development, available at: <http://www.mpn.gov.rs/nauka/nio/>, as Lead Co-Applicant***, relevant to the field of industry and technology identified in the proposed project.

Besides the mandatory Lead Applicant and Lead Co-Applicant described above, the consortium can include other domestic and foreign micro and small private sector companies, domestic and foreign Scientific Research Organizations and Serbian university/faculty innovation centers as Co-Applicants, as long as their engagement is justified by the development needs of the Project proposal. The consortium cannot have more than five (5) members.

Co-Applicants affiliated (either through capital or legal links) with either the Lead Applicant or Lead Co-Applicant can be engaged in the consortium, but the engagement needs to be justified by the affiliated entity's role in the project's development activities.

Applicants that meet any of the following criteria are NOT eligible to apply for the COLLABORATIVE GRANT SCHEME Program:

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<sup>1</sup> In accordance with the current Serbian Law on accounting.

- Applicant has received financing from any other IF financing program for the same or similar activities;
- Applicant is considered to be an affiliated entity<sup>2</sup> of a large company<sup>3</sup> (domestic or foreign) or is 10% or more owned by a large company (domestic or foreign);
- Lead Applicant has received more than **EUR 600,000** of grant financing under all IF programs (including Mini Grants Program, Matching Grants Program, Technology Transfer, Collaborative Grant Scheme Program, and others) over the lifetime of the Applicant and all of its past, present and future affiliated entities<sup>4</sup> (including its subsidiaries, spinoffs or affiliated companies which have changed their trade name). **To clarify, Lead Applicants can receive a cumulative maximum of EUR 600,000 of grant financing under all IF programs over the lifetime of the Applicant including all of its past, present and future affiliated entities and including any award under this Call;**
- Lead Applicant currently has an active project which is being implemented through any of the IF's financing programs (Mini Grants, Matching Grants, Collaborative Grant Scheme program).

Modified and improved Applications which were previously rejected are allowed. **However, an Applicant can resubmit substantially the same Application only once (regarding all IF's financing programs: Mini Grants Program, Matching Grants Program and Collaborative Grant Scheme Program).** An Application which is substantially the same as any two Applications (i.e., based on the substantially same or similar innovative technology, product or service and business plan) previously submitted to the IF will NOT be considered for further evaluation.

Any Applicant that is submitting a modified and/or improved Application which has already been submitted in the past calls for proposals must fill out the appropriate section for returning projects in the business plan and to clearly illustrate the progress that was made since the time of the previous application.

Application submitted by an Applicant who is already implementing a project within the IF's Mini Grants, Matching Grants or the Collaborative Grant Scheme Program at the time of the submission **will not be taken into consideration.**

**The Lead Applicant is the contracting party on behalf of the consortium and is responsible for all operations conducted as part of the project co-financed by the Innovation Fund through the Collaborative Grant Scheme. The Lead Applicant is also in-charge of submitting the Application to the Innovation Fund.**

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<sup>2</sup> As defined by the Serbian Company Law.

<sup>3</sup> In accordance with the current Serbian Law on accounting.

<sup>4</sup> Affiliation is determined on the conditions stipulated in the applicable Serbian Company Law.

## 2.2. TYPES OF PROJECTS THAT CAN BE FINANCED

The IF will consider financing of **projects coming from all fields of science and technology and from any sector of the economy.**

However, please keep in mind that this Program is aligned with the 2020-2027 Smart Specialization Strategy Serbia, which focuses on four main priority domains:

- Food for future;
- Information and communication technologies (including specific focus on Artificial Intelligence, as envisaged by the Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the period 2020-2025<sup>5</sup>);
- Machines and production processes of the future;
- Creative industries.

At least 50% of IF's available funding for the call for proposals will be allocated for applications in the abovementioned priority domains, subject to availability of good quality projects.

The Smart Specialization Strategy Serbia can be found on the following link: [http://www.mpn.gov.rs/wp-content/uploads/2020/03/strategija\\_pametne\\_specijalizacije.pdf](http://www.mpn.gov.rs/wp-content/uploads/2020/03/strategija_pametne_specijalizacije.pdf)

The funding under the COLLABORATIVE GRANT SCHEME Program is suitable for projects that offer the propositions described below:

- A scalable and clearly defined business model and opportunity for stable growth;
- A competitive advantage that enables attaining a sustainable market position;
- A committed and competent management team coming from a consortium with multidisciplinary strengths and skillsets.

The IF is looking for projects that acquire, combine and use scientific, business and other relevant knowledge and skills with the goal of developing new or improved products, processes or services with a competitive advantage over existing solutions in the market.

The development activities undertaken within the project can include demonstrating, prototyping, piloting, testing and validation of new or improved products, processes or services where the primary objective is to make further improvements. Projects can also include development of a commercially usable prototype or pilot, when necessary for industrial research and technology validation.

The minimum expected outcome for projects financed under the COLLABORATIVE GRANT SCHEME Program is a commercially usable prototype or pilot upon completion of the project. In case the Applicant already has a prototype at the time of applying, they are expected to be able to create a final product by the end of implementation period.

Applicants whose projects that are focused on routine or periodic changes made to existing products, production lines, manufacturing processes, services and other already established operations (e.g. software version updates, product redesigns) which do not result in creation of tangible value and

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<sup>5</sup> The strategy can be found on the following link: <https://www.srbija.gov.rs/tekst/437277>



new intellectual property or know-how are not encouraged to apply, even if those changes may represent improvements for the Applicant's own portfolio or organization.

#### IP and know-how requirements

Any new IP and know-how that may be created during the implementation of the project will belong to the members of the consortium as pre-agreed in a written contract among said consortia members and presented to the Innovation Fund prior to the signing of the Financing Agreement. The Applicant has to secure these IP and know-how rights in agreements concluded with any third party. Regardless of which consortium member(s) will have final ownership (and in what ratio) of IP created during and at the end of the project, all consortium members which have participated in the project must have the right to use the new IP free of any charge or restraint for their own respective fields of use (business). Any disputes regarding fields of use (business) among the consortia members need to be resolved prior to signing of the Financing Agreement.

The consortium members are required to reach a general agreement on any IP ownership and right of use details prior to applying for this program and accept all general IP-related principles listed here and in the Applicant Statement document. The Applicant Statement needs to be signed and stamped by all consortia members' authorized representatives on behalf of their respective organizations and is an essential part of the Application documentation (listed in Section 3 of this manual).

#### Duration

The project and the project budget must be designed for completion within a **maximum of 24 months**. The project may be extended only under exceptional circumstances for a period up to additional six (6) months subject to the review and approval of the IF. The Awardee must submit the request for change with the description of change and the justification for change at latest 30 days before the original end date of the project. The circumstances in which the project may be extended are unforeseen delays in project implementation caused by administrative, financial or other procedural factors; force majeure events which include, but are not limited to floods, fires, earthquakes, draughts, power and water shortages or general shortages of basic resources necessary for project implementation, armed conflict, etc. The approved amount of financing is not subject to increase in any case.

#### Number of Applications per Applicant

The Applicant may not submit more than **one (1) Application** under the call for proposals.

### **2.3. ELIGIBILITY OF COSTS**

The grant awarded by the IF can only be used to co-finance the costs which are categorized as "eligible costs". The categories of costs that are eligible and non-eligible are indicated below. The Approved Project Budget for each project is both a cost estimate for the items listed in it and an overall ceiling for total "eligible costs".

#### Eligible costs

The following cost categories are eligible for financing under the COLLABORATIVE GRANT SCHEME Program:

- Human resources (Lead Applicant staff and personnel directly paid from the project bank account) – can be inclusive of all social benefits for employees working on the Project;
- R&D equipment and supplies;
- Offices and business support (office and workshop rent, electricity, bookkeeping and accounting and legal services) up to 2% of the total project budget;
- Consortium members' expenses (excluding the Lead Applicant)
- External R&D services, subcontracts;
- R&D experts/advisors;
- Business consultancy (maximum of 20% of Approved Project Budget, business development advisory, market research);
- Patent application and fees, certifications.

Taking into account the uniqueness of every Application, the percentages of the Project Budget that are allocated to each category may vary depending on the Project proposal goals, may be adjusted by the Investment Committee or the IF in order to better reflect the Project proposal goals.

Only costs accrued during the Project in accordance with the Approved Project Budget and completed by the end of the project are eligible for financing.

#### Ineligible costs

The following costs shall not be considered eligible but are not limited to:

- a) Debts and debt service charges (interest);
- b) Provisions for losses, debts or potential future liabilities;
- c) Costs declared by the Awardee and financed by another action or work program receiving other public sources of financing;
- d) Purchases of land or buildings, including any renovation;
- e) Currency exchange losses, fees and penalties;
- f) Credits to third parties;
- g) In-kind contributions;
- h) Salary costs of the personnel of national administrations;
- i) Taxes, including VAT, duties and charges;
- j) Marketing, sales and distribution costs for promoting the technology, product or service;
- k) Entertainment and hospitality expenses;
- l) Recruitment, relocation or subscription costs;
- m) Travel costs (including per diems);
- n) The procurement of second hand or refurbished goods;

- o) Any activities outlined in the IF Environmental and Social Management Framework (ESMF) as Exclusions published on <http://www.inovacionifond.rs/programs/collaborative-grant-scheme-program/documentation-2021>;
- p) Cash payments from the project account.

### 3. HOW TO APPLY AND WHICH PROCEDURES TO FOLLOW

In order for any Application to be evaluated, it needs to be submitted as **a complete, structured documentation package within the given submission deadline electronically through the IF portal**. Only Applications submitted using the **IF online application portal and predefined document templates will be considered for financing**.

The complete set of necessary Application documentation can be found on the Innovation Fund's website ([www.inovacionifond.rs](http://www.inovacionifond.rs)). Applicants are expected to download these documents and become closely acquainted with their content before beginning to prepare their Applications.

**Only complete Applications will be accepted.**

The complete Application documentation consists of two different types of documents:

#### **Application documentation:**

- Applicant Statement;
- Business Plan;
- Project Budget;
- Project Presentation\*;
- Financial Forecast (Projected income statements for the next 5 years);
- Environmental Screening Questionnaire (ESQ)<sup>6</sup>;
- CVs of the key personnel to be engaged in the project (maximum 5, free format, in English).

#### **Financial documentation:**

- Lead Applicant's financial statements for the last applicable business year.

**Note:** Application documentation must be submitted in the exact same visual and structural format and style as it is provided on the IF website. Any attempt to modify the Application documentation by unlocking and/or altering the formulas or text will result in the Application being disqualified from further evaluation. Applicants are allowed to use style formatting options within the predefined text boxes in the business plan.

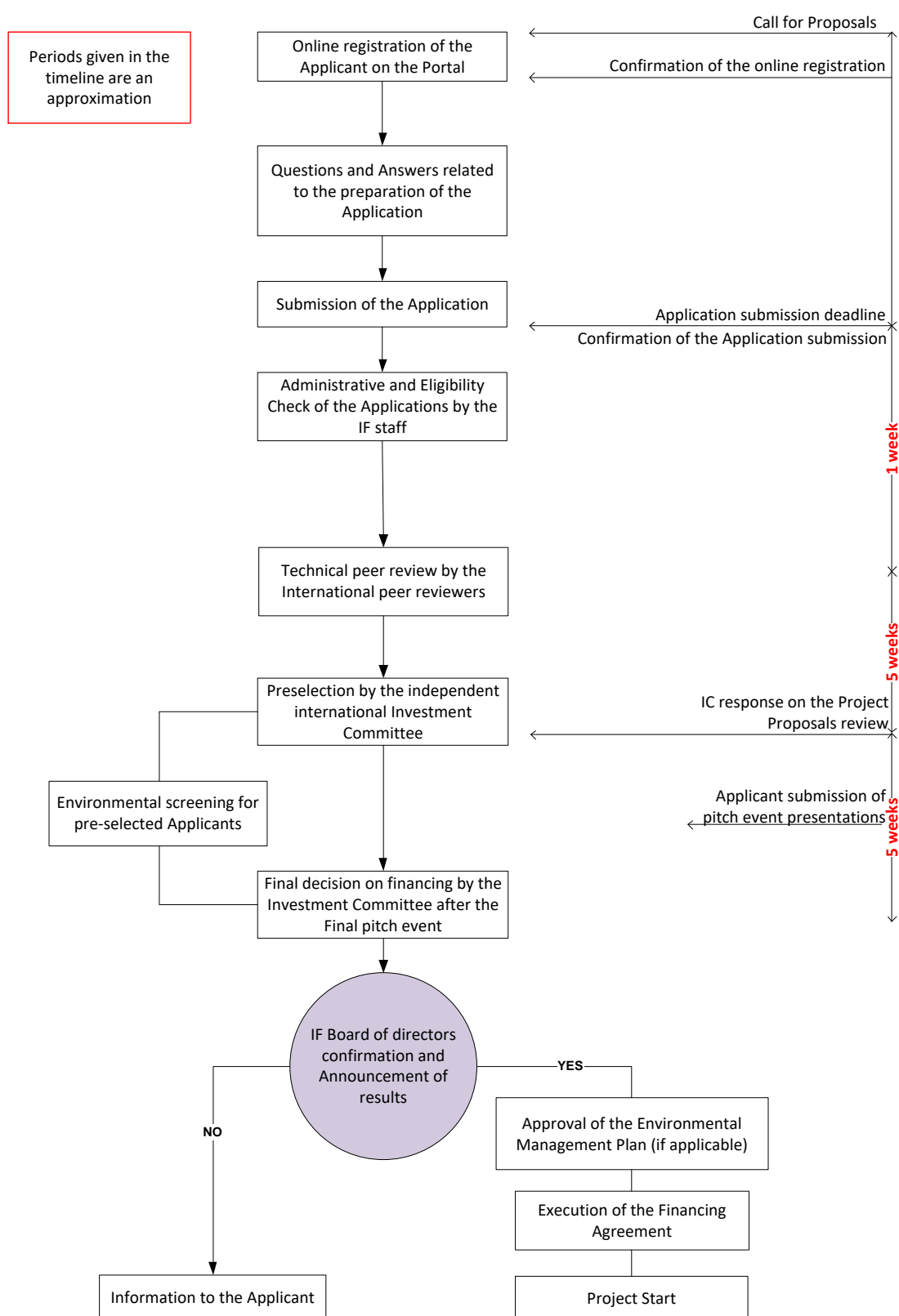
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<sup>6</sup> If applicable, the Applicant may be required to submit an Environmental Management Plan (EMP) at a later stage of the Application evaluation.

**\*Project presentation in the PowerPoint format is the only exception to the note above, and needs to be submitted based on the instructions provided in the template itself (See the IF website).**

The Innovation Fund will provide advisory, non-obligatory and non-conclusive support to all interested Applicants via e-mail, phone, through frequently asked questions, information sessions and open doors that potential Applicants can require in regards to the administrative aspects of preparing Applications for the COLLABORATIVE GRANT SCHEME Program. Furthermore, following the closing of a Project submission deadline, the IF will provide a period in the eligibility review phase during which the Applicants can rectify administrative deficiencies pertaining to the contents of their Application, **but only in cases where the appropriate application templates provided by the IF were originally submitted by the Applicant.** This information will be request in writing, including the deadline for the submission of the necessary corrections. After the eligibility review is completed, there will be no more possibility for rectifying deficiencies.

**Figure 1:** Application procedure and time frames



### **3.1. REGISTRATION PROCEDURE INSTRUCTIONS**

In order to apply for this program, the Applicants first need to register an account on the IF's portal, accessed via the IF website. The registration request is approved by the Innovation Fund staff after preliminary assessment of the information provided in the account registration request (corporate and tax ID, basic company information and contact person details).

Processing the Applicant's registration request may take up to three (3) business days. Applicants are advised to submit their registration requests in a timely manner and upload the necessary Application documents to avoid being locked out of the deadline for calls for proposals.

Upon approval of the account registration request by the IF staff, the Applicant will receive a confirmation e-mail with the necessary login credentials. The account then becomes active and is used to submit the necessary Application documents in electronic form. The e-mail address of the contact person given in the Applicant registration form needs to be a valid e-mail address as it will be used for future communication with the Applicant.

Applicants can open several projects with their account, but can only submit one (1) Application within a Call for proposals. When registering their project, the Applicant needs to choose the appropriate industry area and sub-sector from the available list in the drop-down menu on the IF portal. Applicants with existing login credentials cannot register again due to corporate ID restrictions and can freely use their existing credentials to create new projects under the "Project Application Form" tab.

### **3.2. APPLICATION SUBMISSION INSTRUCTIONS**

Applicants can freely create new projects and upload documents at all times, but the submission of Applications is disabled until a call for proposals is officially launched by the IF. Once enabled, the submission of Applications is possible until the deadline given within the details of the Call for Proposals and published on the Innovation Fund's website.

When the Applicant has successfully activated their account on the IF portal and submission of Applications becomes allowed, the Applicant can upload all the necessary Application documents to the designated slots within their project and then submit the Application for evaluation.

Once uploaded, each document can be overwritten by simply repeating the upload procedure, if the Applicant needs to update or replace the file for whatever reason. Please keep in mind that the previously uploaded document is permanently removed and replaced in the process. Overwriting of previously uploaded documents is possible up until the expiration of the Application submission deadline.

Upon uploading all necessary documents, the Applicant must officially confirm the Application documents' validity by clicking the "Submit" button. This action informs the Innovation Fund that the Application is finalized and ready to be evaluated.

Applicants should keep in mind that the "Submit" button must be clicked before the expiration of the deadline in order for the Application to be taken into consideration for further evaluation.

Furthermore, Applicants are free to make alterations or modifications to the submitted documents before the expiration of the Application submission deadline and have to validate the new refreshed Application documentation by clicking the “Submit” button.

It is the Applicant’s responsibility to ensure the timely submission of the information/documents. The Applications submitted after the deadline will not be considered for the evaluation.

#### Acceptance of Terms of financing

By submitting an Application, the Applicant agrees to accept all relevant terms required by the IF in order for the Application to be considered and evaluated. Therefore, the Applicant agrees to accept the terms for the following:

- COLLABORATIVE GRANT SCHEME Program Manual;
- Applicant Statement;
- Financing Agreement;
- IF Environmental and Social Management Framework;
- Confidentiality Policy and Prevention of Conflict of Interest Policy;

Furthermore, the Applicant agrees to undertake all necessary actions in order to prevent possible Fraud and Corruption activities during the implementation of the Project. In pursuance of this policy, the practices constituting Fraud and Corruption are defined as follows:

- (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” is:
  - (a) deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an 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
  - (b) acts intended to materially impede the exercise of inspection and audit rights.

Before applying for the Innovation Fund's programs, the Applicant is advised to carefully read all relevant documents and contact the IF staff if any questions arise.

#### 4. EVALUATION AND FINANCING DECISION

The evaluation procedure includes several steps:

- The administrative and eligibility check of all Applications received;
- Pre-selection of Applications (based on review by the Investment Committee and technical peer-reviewers);
- Environmental screening of all pre-selected Applications;
- Financing decision (made by the Investment Committee after a live-pitch event).

Applications will be evaluated based on the following criteria:

- Management and key personnel credentials and ability of the consortium to deliver;
- Quality and collaborative potential of the consortium members;
- Innovative technology, product or service; clear IP position and potential;
- Clear market need, competitive (preferably global or EU) position and commercialization potential;
- Level of co-financing, use of funds and adequacy of the project budget (preference will be given to applications with higher co-financing participation);
- Well-developed organizational design and project management system (including clear roles, responsibilities, authorities and accountabilities (R2A2s) for all consortia members and well-designed stage gate review process and risk management strategy).

Only Applications excelling in all the above-mentioned criteria will be recommended for financing. Additional details regarding the evaluation process can be found in the Review Guidelines document, available at: <http://www.inovacionifond.rs/programs/collaborative-grant-scheme-program/documentation-2021>.

Each person taking part in any stage of the evaluation process is required to abide by the IF's Confidentiality Policy and Prevention of Conflict of Interest document.

##### 4.1. ADMINISTRATIVE AND ELIGIBILITY CHECK

After the Application is submitted, the IF staff will conduct a desk review of the eligibility and completeness of the submitted Applications. Please observe that only fully completed, signed, and electronically submitted Applications will be considered for evaluation. During this stage, the IF will provide every Applicant whose Application was initially determined to be administratively deficient with a 72-hour window to rectify the identified deficiencies, **but only in cases where the appropriate**



**templates provided by the IF were originally submitted by the Applicant.** Ineligible Applicants and Applicants whose Applications did not pass the administrative aspect of the check will be notified of their ineligibility by email, after the IF completes the administrative and eligibility check of all submitted Applications.

If an Applicant wishes to file a fact-based objection to the outcome of the administrative and eligibility check (citing evident omissions, oversights or mistakes made by the IF staff), they may submit a formal letter of objection to the IF, written in English with a recommended limit of around 500 words within 8 calendar days from the day of receiving the original eligibility review decision notification. The IF will provide an official response to the formal letter of the objection within 14 calendar days from receiving the objection.

#### **4.2. PRE-SELECTION OF APPLICATIONS**

The first phase of review of eligible Applications for the COLLABORATIVE GRANT SCHEME Program includes a technical peer-review by independent international peer reviewers, and evaluation by the IF's independent Investment Committee. Both types of evaluators assign points for each of the evaluation criteria and the points are then summed after being awarded the appropriate weights to generate the total score for each Application (30% of total score comes from the peer reviewers, while 70% of the total score comes from the Investment Committee). Based on this list, all Applications which score 75% of the maximum number of points and above (18 or more) will be preselected for the second phase of review.

If an Applicant wishes to file a fact-based objection to the outcome of the preselection phase (citing evident omissions or mistakes made by the Investment Committee or the IF staff), they may submit a formal letter of objection to the IF, written in English with a recommended limit of around 500 words within 8 calendar days from the day of receiving the original preselection decision notification. The content of the letter must be limited to the clarification of the data already existing in the originally submitted application. The IF will provide an official response to the formal letter of objection within 14 calendar days from receiving the objection.

During the course of the evaluation of submitted Applications, the Applicant may be required to submit supplemental information.

#### **4.3. ENVIRONMENTAL REVIEW**

The environmental review consists of assessment of the Environmental Screening Questionnaires (ESQs) for all preselected Applicants. Preselected Applicants will be informed about the results of the ESQ assessment only if the Environmental Management Plan (EMP) is required. When a project requires the preparation of the EMP, it is the responsibility of the Applicant (who has at that time been informed by the IF that the financing for the Applicant's project was approved) to prepare the EMP and submit it for IF's approval as one of the prerequisites for signing the Financing Agreement. The guidance on the content of the EMP is provided in the IF Environmental and Social Management Framework (ESMF) available on-line ([www.inovacionifond.rs](http://www.inovacionifond.rs)). Environmental and Social Management Framework specifies environmental and social procedures for implemented projects to adhere to,

which are consistent with Serbian national legislation. In cases where the project requires an EMP and the Applicant does not prepare it, that Application would become ineligible for financing<sup>6</sup>.

#### 4.4. FINANCING DECISION

The final decision for financing under the COLLABORATIVE GRANT SCHEME Program is made by the IF's independent Investment Committee **after a live pitch event**. During this event, all Applicants which have been pre-selected by the IF's Investment Committee and satisfied the ESQ Environmental review will present their projects in front of the independent Investment Committee in person. The Investment Committee will perform the necessary budget clearing for every pre-selected project to optimize the use of available financing in this public call. Based on the results of the live presentation, the Investment Committee will make its final decision. Following the Investment Committee's decision to award financing and accompanying statutory procedures, the Applicant will be notified via email about the positive decision on financing and subsequently offered to sign the Financing Agreement. The IF will also notify all pre-selected Applicants whose projects were not awarded about the outcome of the final phase of the evaluation process and they will receive the Investment Committee's comments for their project.

### 5. IMPLEMENTATION AND MONITORING OF THE PROJECT

#### 5.1. GENERAL IMPLEMENTATION PRINCIPLES

Before signing of the Financing Agreement, the Awardee is obliged to provide the following documents to the IF:

- EMP (where applicable);
- Proof that the Awardee is listed in the Register of Tenderers in the Serbian Business Registers Agency.

The Awardee is required to carry out the project diligently, timely and efficiently in accordance with the terms of the COLLABORATIVE GRANT SCHEME Program and the Financing Agreement and with sound technical, economic, financial, managerial, environmental and social standards and practices.

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

The Awardee is required to implement the project in accordance with the signed Financing Agreement. Any significant deviation from the Application (e.g. project is not on schedule for completion within timeframes defined in the Application, proposed milestones are not achieved) requires prior written consent of the IF.

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<sup>6</sup> As per IF Environmental and Social Management Framework (ESMF) the Applicant is obliged to follow the environmental procedures.

Any costs covered from the project funds may not be incurred before the start of the project.

## 5.2. PAYMENTS AND DISBURSEMENT OF PROJECT FUNDS

The Awardee must open a project bank account where project financing from the IF and co-financing from the Awardee is transferred. This account must not be used for any other purpose except for implementation of the approved project. The Awardee bears full legal responsibility for this account, documents all the payments made to and from it and reports them back to the Innovation Fund.

The project funds are disbursed on a quarterly basis. The disbursement amount will cover up to 70% of the Approved Project Budget for that particular quarter for projects where the Lead Applicant is a micro or small company and up to 60% for projects where the Lead Applicant is a medium sized company. However, prior to the quarterly disbursement, the Awardee must submit, along with the quarterly progress- and financial- report, a bank account statement showing that the Awardee has deposited in the dedicated account a minimum of 30% of the total amount of funds requested for the particular quarter for micro and small company and at least 40% for medium sized company.

Prior to next quarterly disbursement, the Awardee 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 and the reports must be approved by the IF.

Upon review and approval of the reports by the IF, the Awardee will be eligible for disbursement for the next quarter.

Disbursement for the last quarter (or the last two quarters, depending on the disbursement dynamics for the last two quarters) of the project will be reduced by an amount of 20% of the total IF financing as per Approved Project Budget for the second year of the project (or for the first year of the project, where applicable) until the monitoring of the project is completed as defined in section 5.5 and the final report is approved. This retained amount will be disbursed to the Awardee only if the defined project milestones have been achieved by the Awardee and verified by the IF. The Investment Committee will confirm/modify the mandatory milestones (proposed by the Applicant) for each individual project following the live pitch event.

The final disbursement for eligible costs will be made upon review and approval of the final progress report and the quarterly financial report for the last project quarter and upon completion of the project in accordance with the provisions of the Financing Agreement and signing of the Final Settlement. In case of any ineligible costs, the IF's pro-rata amount of these costs will be subtracted from the withheld amount.

The review and approval of the reports will take approximately two (2) weeks and will include desk-review (financial report and sample procurements) and may be subject to an on-site monitoring visit as described in Section 5.5.

All payments to the Awardees are made in Serbian Dinars at the official average exchange rate of the National Bank of Serbia on the date of the disbursement.

Awardees are allowed up to 10% cost variation from the total Approved Project Budget between any of the budget categories, but they are obligated to inform the IF regarding any such variations. Should the cost variations related to any budget category be expected to exceed 10% during the course of the project, a written request for funds reallocation must be submitted to the IF for approval. .

### 5.3. PROCUREMENT PROCEDURES

Subject of procurement procedures are:

- I. Procurement of supply – includes the purchase or rental of supplies/equipment. The delivery of supplies/equipment may include sitting, installation and maintenance;
- II. Procurement of services – includes engagement of service providers, firms and/or individuals (experts). Service contracts are used for preparation of studies, evaluation reports, experts' or trainers' engagement, R&D research expertise, etc.

Awardee will conduct procurement procedures for **all budget categories**, except for:

- I. Human resources (does not include experts, subcontractors, advisers etc.);
- II. Proven previous professional collaboration (Awardee has named the supplier/service provider in the Project Budget as part of the Application and/or has submitted to the IF Portal contract/invoice or other proof of previous collaboration which was dated before Financing Agreement was signed with the IF).

#### Principles

The Awardee shall respect the principles of fair competition, transparency, proportionality, equal treatment, non-discrimination and economy, efficiency and effectiveness. All contracts shall be put out to competition on the broadest possible basis. The estimated value of a contract may not be determined with a view to circumventing the applicable rules, nor may a contract be split up for that purpose.

The contract must be awarded to the **tenderer offering best value for money for service tenders** (i.e. the tenderer offering the best price-quality ratio) or, as appropriate, to the tenderer offering the lowest price for the fulfillment of the technical specifications for the supply contracts. In doing so, the Awardee shall avoid any conflict of interests and respect the following basic procurement principles:

The Awardee shall evaluate the offers received against objective and transparent criteria which enable measuring the quality of the offers and which take into account the price (the offer with the lowest price shall be awarded the highest score for the price criterion for service tenders).

The Awardee shall keep sufficient and appropriate documentation with regard to the procedures applied.

Participation in tender procedures managed by the Awardee is open on equal terms to all natural and legal persons.

Supplies may originate from any country.

The basic means of awarding contracts is competitive tendering. The purpose is twofold:

- to ensure that operations comply with the awarding principles; and

- to obtain the quality of services and supplies at the best possible price.

The **applicable financial thresholds** that further determine the use of standard procedures and templates are summarized in the table below. The thresholds are based on the maximum budget for the contract in question (including any co-financing). Where contracts are subdivided into lots, the value of each lot is taken into account when calculating the overall threshold.

All basic principles must be complied with, regardless of which procedure is used.

The applicable standard procedures are summarized in the table below.

SERVICE CONTRACTS	> EUR 20,000 – EUR 300,000 Competitive negotiated procedure	≤ EUR 20,000 Single tender
SUPPLY CONTRACTS		A payment may be made against invoice without prior acceptance of a tender if the expenditure is ≤ EUR 5,000

Single tender procedure: Awardees are strongly advised to invite at least 3 quotations to show that they got a good deal reflecting the current market prices. The Awardees need to obtain at least one valid quotation.

Competitive negotiated procedure: Awardees must invite at least 3 possible suppliers/service providers to submit quotations. The Awardees need to obtain at least one valid quotation.

For procurement of supplies and services **for contracts estimated to cost EUR 50,000 or more**, the Awardees will be required to provide procurement documentation to the IF for prior review and approval. Only after obtaining the IF's written consent the Awardee will be allowed to finalize the procurement procedure and make corresponding payments.

IF reserves the right to conduct a **sample desk-check** of completed procurements.

#### 5.4. REPORTING

The Awardee is obligated to provide the Innovation Fund with accurate, timely and coherent quarterly financial and progress reports pertaining to the project, in predefined intervals. The IF will provide every Awardee with a detailed Implementation manual which outlines the reporting requirements and procedures.

Two (2) weeks after the last calendar day of each **quarterly period (i.e. every 3 months)**, the Awardee needs to submit the **quarterly progress and financial report** (signed by the authorized legal representative), **including all supporting documentation** to the IF for review. For any identified deviations that are unintentional or technical mistakes the Awardee may be required to update the reports or submitted additional documentation. Additional check-ups by the IF may also be made.

Any changes to the project (e.g. regarding project implementation, timelines, project budget, deliverables, project staff, etc.) should be communicated to the IF, especially when they require the IF's written consent. Such changes may not be effective before the written consent is issued to the Awardee.

#### Quarterly Progress Report

This report should describe in detail all previously completed and currently on-going activities, as well as actions planned for the upcoming period. It needs to focus on the main achievements of the reporting period, state any potential setback of issued and provide an overview of the Awardees business activities.

#### Quarterly Financial Report

This report must document all actual payments from the dedicated project account. These payments must be properly itemized and categorized in accordance with the Approved Project Budget as found in the Financing Agreement.

Supporting financial documentation will include all bank statements from the project account, along with viable proof of payment, such as invoices, delivery receipts and/or reports, payroll calculations, service providers' reports, etc.

#### Final Progress Report

Final Progress report is submitted **within 4 weeks after the end of the final reporting period**, and it needs to provide details on the overall achievements of the project. It should include information on the status of the planned milestones and development activities, but also focus on the marketing and commercialization activities that are on-going or even planned, as well as any other information that is relevant for the success or future development of the Awardee.

### **5.5. MONITORING OF THE PROJECT**

Prior to disbursement of funds to the Awardee, monitoring of the project is required by the IF. The purpose of the monitoring is to assess the progress of the project in implementing the task activities and to assure that financial costs 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 (at least once per year);
- C) Review of submitted final progress report
- D) Review of visibility requirements;

The purpose of the monitoring visit by the IF staff is primarily to verify that project development and financial activities are occurring as reported and as stated in the approved project documents. The IF will perform monitoring visits at least semiannually or more often, if deemed necessary. The IF staff will notify the Awardee in writing by email approximately one (1) week in advance about the monitoring visit. The notification will outline the purpose of the visit, what is to be reviewed, and who should attend the visit and the meeting during the monitoring visit.

Monitoring visits will typically include a review of project implementation (e.g. procedures, milestones with measurable results, timelines, tasks, agreements, policies, and financial documentation) as well as in-person meetings with relevant project team members. At the end of each monitoring visit, the IF staff will discuss findings from the meeting with relevant project team members and clarify which corrective actions to pursue after the visit, if any. If the monitoring visit has identified any concerns,

the Awardee will be required to correct these deficiencies within agreed timelines. Further payments depend on the severity of problem and it will be suspended until the deficiencies are corrected.

The representatives of institutions from which the IF receives financing for this program may also take part in the IF's monitoring visit as observers, or perform a monitoring visit on their own.

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

Figure 2: Monitoring procedure





## **5.6. MASTER FILE**

The Awardee needs to archive all project documentation in the master file for a period of at least 5 years following project completion. The project archive should include all relevant project implementation document (such as contracts, official approvals, proof of payment, etc.).

All the contract files, including the signed contract and all the relevant documentation (master file), will be made available to the IF and any entities named by the IF upon request.

## **5.7. VISIBILITY REQUIREMENTS**

The Awardees must take all necessary steps to publicize the fact that the Innovation Fund has co-financed the Awardee's project. As far as possible, projects that are funded by the Innovation Fund must incorporate information and communication activities designed to raise the awareness of specific or general audiences of the reasons for the IF's programs and the support of the Innovation Fund for the project in the country or region concerned, as well as the results and the impact of this support.

## **5.8. INFORMATION REQUIREMENTS DURING AND AFTER PROJECT IMPLEMENTATION**

Should financing be received, the Awardee will be asked to provide the IF with certain standardized information to help the IF monitor information pertaining to: employment figures, revenue generation, taxable income, employee salaries, financial management, environmental management, additional financing and information regarding to the Awardee's operations and business affairs. Up to five years after the completion of the grant project, the Innovation Fund also reserves the right to request from its Awardees any corporate information deemed relevant to the IF's process of monitoring and evaluation of the COLLABORATIVE GRANT SCHEME Program. Awardees are obliged to make their best efforts to deliver the required information within one month following IF's request. The Innovation Fund will treat all received information in accordance with its Confidentiality Policy.

## **5.9. TERMINATION OF FINANCING**

In case of termination of financing due to the breach of any terms of the COLLABORATIVE GRANT SCHEME Program or the Financing Agreement, the Awardee will be required to refund all or any part of the amount disbursed by the IF as determined by the IF under the Financing Agreement.

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

If, upon the termination of the Financing Agreement for any reason, the entire disbursed amount has not been expended, the Awardee shall return to the IF the IF's pro rata share of such unexpended portion and if not repaid forthwith, such sum shall bear interest.

The Innovation Fund will undertake its best effort to maintain timely disbursement of project funds to the Awardee, taking into account the Innovation Fund's access to and availability of said funds.