

# Innovation Fund

## MINI GRANTS Program

### GRANT MANUAL

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Dear Applicant,

The MINI GRANTS Program is designed to stimulate innovative entrepreneurship by providing financing to eligible private micro and small companies.

Recognizing difficulties in securing financial investments associated with the development cycle and the high cost of translating research into a commercially viable product, this Program is designed to help sustain emerging companies through a critical stage of R&D and to enable entrepreneurs in Serbia to build an effective business to bring their innovation to the market.

Ideally, the projects which receive financing through this Program are expected to deliver a commercially usable prototype or pilot, or a final product/service/technology if a prototype already exists at the time of applying.

**Applicants are private micro and small companies incorporated in Serbia, not older than 5 years at the time of application and in majority (51% or more) Serbian ownership, or teams consisting of up to 5 core members which would be required to found a company should the Project be approved for financing.**

The financing awarded by the Innovation Fund (IF) under the MINI GRANTS Program will cover a maximum of seventy percent (70%) of total project costs for projects lasting up to one (1) year, but the total IF co-financing cannot exceed more than **EUR 80,000** per project. The minimum of thirty percent (30%) of the total Approved Project Budget is to be secured by the Applicant from other, preferably private sector sources, independently of the IF.

Financing decisions will be made on a competitive basis by the IF's independent Investment Committee (IC). The number of awards will be determined by the quality of the applications and subject to the total funds available or allocated to the MINI GRANTS Program. In addition, if and where applicable, this Program will also provide support for financial management, IP protection and business development training, as well as mentoring to the Awardees to enable them to prepare for the next stage of development.

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 and associated procedures 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, other donor sources, etc.) and may be changed at any time.

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

Wishing you success,

Ivan Rakonjac, PhD  
Managing Director

## DEFINITIONS

<b>Applicant</b>	A team or company applying for the MINI GRANTS Program.
<b>Approved Project Budget</b>	Project budget approved by the Innovation Fund, integral part of the Financing Agreement.
<b>Awardee</b>	An eligible Applicant that has received a notice from the Innovation Fund that it has been awarded financing and subsequently signed the Financing Agreement with the Innovation Fund.
<b>Application</b>	The package of all necessary documents and data submitted by the Applicant.
<b>Financing Agreement</b>	A document signed by the Awardee and the Innovation Fund, governing the terms and conditions of the financing under the MINI GRANTS Program.
<b>Final Settlement</b>	A legal document signed by the Innovation Fund 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>Project</b>	Development of the current business activity as described in the submitted Application.

## 1. PROGRAM DESCRIPTION

### 1.1. PROGRAM OBJECTIVES

The objective of the MINI GRANTS Program is to stimulate innovative entrepreneurship and creation of innovative companies based on knowledge via private sector start-ups and/or spin-offs by providing financing for market-oriented innovative projects with high commercialization potential and a scalable business model.

The Innovation Fund (IF) aims to provide financial support for the crucial stage of research and development activities and help create new or introduce significant improvements in existing products, processes or services.

### 1.2. AMOUNT OF FINANCING

The total amount and source of funds allocated by the Innovation Fund for the public call for proposals can be found on the IF's official internet website, available at <http://www.inovacionifond.rs/programs/mini-grants-program/public-call-for-the-mini-grants-program>.

The maximum amount of grant financing which the IF can award per each individual project is **EUR 80,000**.

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);

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.

Acceptable co-financing includes Applicant's own resources in cash contribution, existing or potential private investors/venture capital/private equity and private sector debt financing, strategic private sector industry and other private sector cash contributions and excludes any other financing from the IF or other public sector grants.

*De minimis* State aid regulation is applied to the financing received by the Awardee from the IF through this 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 Applicant is a:
  - Micro or small company<sup>1</sup> in majority private and majority Serbian ownership<sup>2</sup> (51% or more) incorporated in Serbia<sup>3</sup> for no longer than five (5) years at the time of Application submission,
  - or**
  - Team consisting of a maximum of 5 core members (physical persons). Roles and responsibilities of each core team member must be clearly stated in the Application.

In cases where the Application is submitted by a team (not yet formally and legally incorporated as a company), the following shall apply:

- If financing is approved, the Applicants will be required to establish a company which will be the recipient of the funds and legally responsible for implementing the project;
- The newly established company must be in at least 51% ownership by the team's proposed core member(s) (the percentage of ownership among core members is subject to their internal agreement);
- The newly established company must be at least 51% privately owned, and in majority Serbian ownership.

An Applicant company that meets any of the following criteria is NOT eligible to apply for the MINI GRANTS Program:

- The Company has raised EUR 500,000 or more in total financing (equity, debt or grant) from public or private sources;
- The Company is majority owned (greater than 50%) by a parent company that is an operating or holding company that:
  1. Has raised/received EUR 500,000 or more in total financing (equity, debt, grant or combination thereof) from public or private sources, or
  2. Has revenue, or is part of a group that had revenue over EUR 2,500,000 in any prior years.
- Applicant has received financing from any other IF financing program for the same activities.

The Applicant cannot receive more than EUR 600,000 of grant financing from the IF under all of the IF programs (including Mini Grants Program, Matching Grants Program, Collaborative Grant Scheme Program, TTF Program and others) over the lifetime of the company applying for financing. This

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<sup>1</sup> In accordance with the current Law on Accounting of the Republic of Serbia, including newly founded companies as stipulated in this law.

<sup>2</sup> The Applicant may be required to present proof of Serbian citizenship as provided by an official Serbian government institution.

<sup>3</sup> In accordance with the current Serbian Company Law in effect.

maximum amount includes the IF financing awarded to any past, present or future affiliated entity<sup>4</sup> (including its subsidiaries, spinoffs or affiliated companies which have changed their trade name).

In cases where the Applicant is a team, and therefore is not incorporated as a company at the time of the application, aforementioned rule is applied as follows: in case that any of the core team members is majority owner or has control rights over the company<sup>5</sup> that has been awarded financing under any of the IF programs (or was majority owner or had control rights over the company at the time when financing was awarded), all these previously awarded amounts count toward the maximum amount of EUR 600,000.

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, 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 by the Applicant 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 needs to fill out the appropriate section for returning projects in the business plan and project presentation documents 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 and the Collaborative Grant Scheme Program at the time of the submission **will not be taken into consideration.**

## 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 the MINI GRANTS Program is aligned with the Smart Specialization Strategy Serbia, which focuses on four main priority domains:

- Food for future;
- Information and communication technologies;
- 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)

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

<sup>5</sup> Control shall imply the right or possibility of one person/entity, either independently or acting together with other persons/entities, to have controlling influence on the operations of another entity through an equity interest in share capital, an agreement or a right to appoint the majority of directors or Supervisory Board members, in line with the applicable Serbian Company Law.

The funding under the MINI GRANTS Program is suitable for the projects that offer all of the propositions described below:

- A scalable and clearly defined business model and opportunity for fast growth (which may include potential to attract next round financing);
- A competitive advantage that enables attaining a sustainable market position;
- A committed and competent management team.

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 significant further improvements.

The minimum expected outcome for projects financed under the MINI GRANTS 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.

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 new intellectual property are not encouraged to apply for financing under the Program, 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 which may be created during the implementation of the project must belong to the Applicant. To ensure this, the Applicant has to secure these IP and know-how rights in agreements concluded with any third party.

#### Duration

The project and the project budget must be designed for completion within a **maximum of 12 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's independent Investment Committee. 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 expenses 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 budget categories are eligible for financing under the MINI GRANTS Program:

- Human resources (inclusive of all social benefits for employees working on the project);
- R&D equipment and supplies;
- Offices and business support (maximum EUR 1,000 per month);
- External R&D services, subcontracts;
- R&D experts/advisors;
- Sales, marketing and business consultancy (maximum 20% of Approved Project Budget, including, business development advisory, market research, conference attendance, travel costs (without per diem), production of promotional material, website design);
- 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 goals, may be adjusted by the Investment Committee to better reflect the project goals and should be clearly justified by the Applicant in accordance with project objectives.

Only expenditures 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) Entertainment and hospitality expenses;
- k) Recruitment, relocation or subscription costs;
- l) The procurement of second hand or refurbished goods;

- m) Any activities outlined in the Environmental and Social Management Framework (ESMF) as Exclusions published on <http://www.inovacionifond.rs/programs/mini-grants-program/mini-documentation-2020>;
- n) Cash payments from the dedicated 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.innovationfund.rs](http://www.innovationfund.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 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 the Applications for the MINI GRANTS 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 requested 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. The complete Application documentation consists of two different types of documents:

#### **Application documentation:**

- Applicant Statement;
- Business Plan;
- Project Budget;
- Project Presentation;
- 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:**

- Financial statements for the previous business year, if applicable.

**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.

### 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). **Teams can register without a corporate and tax ID**, which they will be required to provide after registering their company with the SBRA if financing is approved.

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 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 "MINI GRANTS" 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 IF'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:

- MINI GRANTS Program and its requirements;
- Applicant Statement;
- Financing Agreement;
- Environmental and Social Management Framework;
- Confidentiality Policy and Prevention of Conflict of Interest Policy;
- Intellectual Property and know-how requirements;
- Procurement procedures as described in Section 5.3 of this document.

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.

### 3.3. PROCESS FLOW AND TIMELINE

The application process is structured in the following manner:

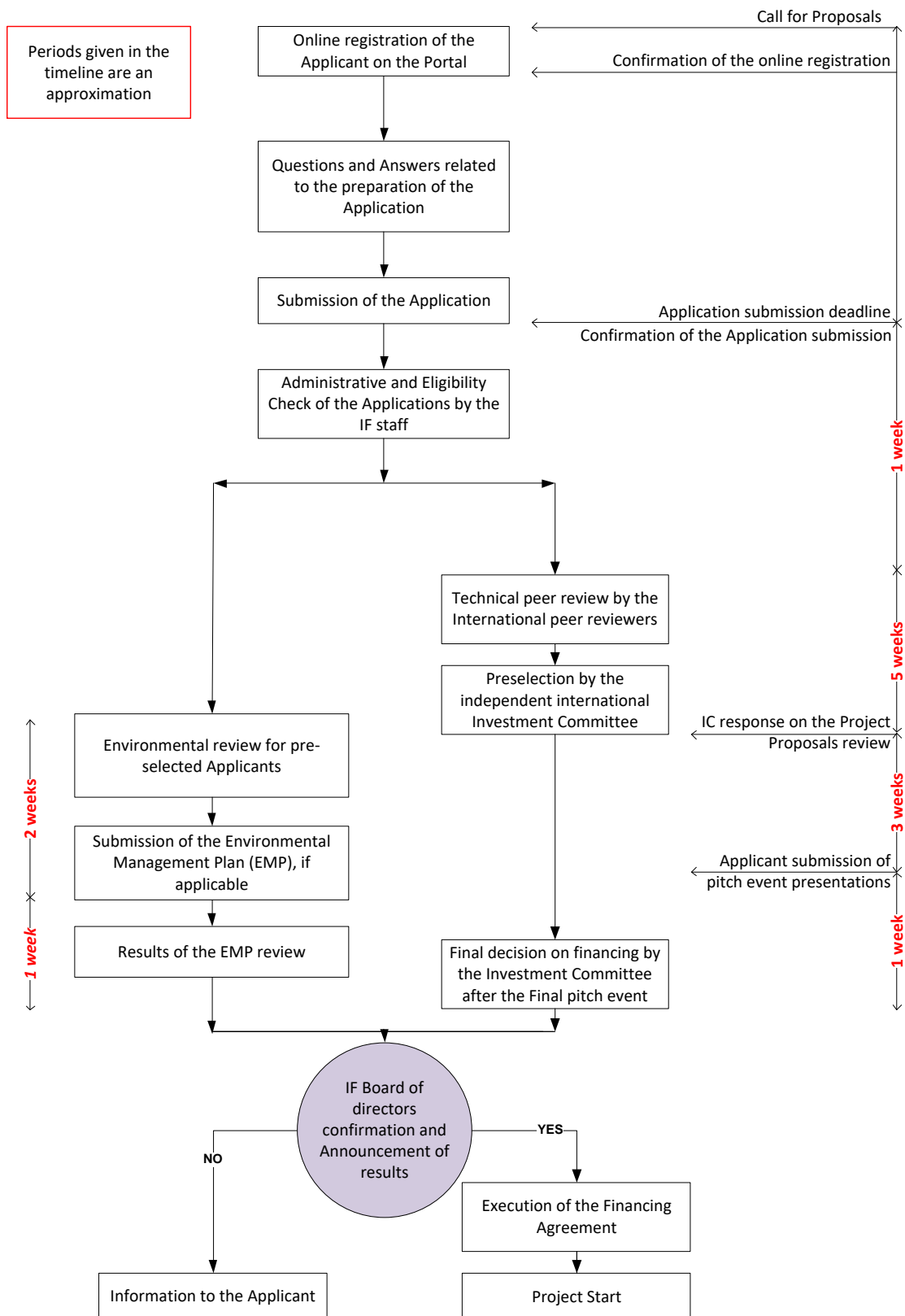
1. Registration of the Applicant on the IF portal
2. Applicant's creation of a new project by selecting the "MINI GRANTS" option
3. Upload and final submission of Application documents
4. Administrative and eligibility check by the IF staff including rectifying of data if necessary
5. International independent evaluation of submitted Applications
  - a. Technical review by international Peer-reviewers
  - b. Pre-selection by the Investment Committee
  - c. Environmental review for pre-selected Applicants
  - d. Final pitch event
  - e. Final decision on financing by the Investment Committee
6. Signing of the Financing Agreement and beginning of project implementation<sup>7</sup>

Applicants that have registered in the past are to use their previously received login credentials for any subsequent Application.

**Figure 1:** Application Procedure

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<sup>7</sup> In case the Application is made by a team, the mandatory precondition for signing the Financing Agreement is to establish a company which will meet the necessary criteria stipulated under section 2.1.



#### 4. PROJECT EVALUATION AND FINANCING DECISION

The evaluation procedure will include several steps:

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

The Applications will be evaluated based on the following criteria:

- Management and key personnel credentials and ability of the company/team to deliver;
- Innovative technology, product or service; usefulness and uniqueness of the innovation; clear IP position;
- Clear market need and commercialization potential;
- Potential for revenue/partnership with a strategic partner within two to three (2-3) years after the project start;
- Viable implementation methodology and capabilities;
- Use of funds and adequacy of the project budget;
- Technology and implementation risk management.

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/mini-grants-program/mini-documentation-2020>.

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 MINI GRANTS Program includes a technical peer-review by independent international peer reviewers. Following this step, based on its own review of the complete Applications and taking into consideration the results of the peer-review, the IF's independent Investment Committee will preselect the most promising Applications 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 application and will not in any case change the quality and ranking of the 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

In regards to the Environmental Screening Questionnaire (ESQ) evaluation, the pre-selected Applicants will be informed about the results of the ESQ evaluation only if the Environmental Management Plan (EMP) is required. When the project requires the preparation of the EMP, it is the responsibility of the Applicant to prepare the EMP and submit it within two (2) weeks after feedback on the ESQ is provided. The guidance on the content of the EMP is provided in the Environmental and Social Management Framework (ESMF) available on-line ([www.innovationfund.rs](http://www.innovationfund.rs)). Environmental and Social Management Framework specifies environmental and social procedures for implemented projects to adhere to, which are consistent Serbian national legislation. In cases where the project requires an EMP and the Applicant does not prepare it, that Application would become ineligible for further evaluation.<sup>8</sup>

## 4.4. FINANCING DECISION

The final decision for financing under the MINI GRANTS Program is made by the IF's independent Investment Committee **after a live pitch event**, which constitutes the second phase of review. During this event, all Applicants which have been pre-selected by the IF's Investment Committee and satisfied the 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, for each evaluation criterion.

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<sup>8</sup> As per Environmental and Social Management Framework (ESMF) the Applicant is obliged to follow the environmental procedures.



## 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: penalty records certificate, i.e. a certificate from the competent court and competent police administration of the Ministry of Internal Affairs that the Awardee and its legal representative(s) have not been charged with any of criminal offences as the member of an organized criminal group; nor charged with any of criminal offences against economy, environment, active and passive bribery, or fraud. If the Awardee is listed in the Register of Tenderers in the Serbian Business Registers Agency, the abovementioned documents are not required to be submitted.

The Awardee is required to carry out the project diligently, timely and efficiently in accordance with the terms of the MINI GRANTS Program and the Financing Agreement and with sound technical, economic, financial, managerial, environmental and social standards and practices. The Awardee is required to maintain adequate policies, procedures and records to enable the IF (or its representatives) to monitor and evaluate the progress of the project and the achievement of its objectives, as well as financial transactions pertaining to the project.

The Awardee is required to carry out the project in accordance with the provisions of the 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 and the Application which represents one of the annexes of the 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. The IF will examine the possible deviations respecting the content, quality and ranking of the project at the time it was approved for financing and deviations that receive the consent will not influence or alter the mentioned elements.

Any expenditures 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 dedicated 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 seventy percent (70%) of the Approved Project Budget for the quarter. 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 thirty percent (30%) of the total amount of funds requested for the particular quarter.

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 these 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 of the project will be reduced by an amount of 10% of the total IF financing as per Approved Project Budget until the monitoring of the project is completed as defined in section 5.5 and the final report is approved.

The final disbursement for eligible expenses 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 expenditures, the IF's pro-rata amount of these expenditures 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 progress report) 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.

Awardee is allowed up to 10% expenses variations from the total Approved Project Budget within any of budget categories and the Awardee is obligated to inform the IF regarding any such variations. Should the expenses 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 by the IF's Investment Committee by majority vote.

### 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 3 quotations to show that they got a good deal reflecting the current market prices. This will demonstrate that the process was fair and transparent. 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.

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 (including all supporting documentation) to the IF for review. This is followed by the monitoring visit (where applicable) that may be conducted by the IF staff or its representatives. Upon review and approval of the reports and subject to positive outcome of the monitoring visit (where applicable), the Awardee will be eligible for disbursement for the next period.

Following the Innovation Fund's review of this reporting documentation, for any deviations in the quarterly progress- and/or financial report that are unintentional or technical mistakes and are not a result of the Awardee's mismanagement of financials or project activities, the Awardee will be required to update the quarterly progress and/or financial report and resubmit it to the IF as per IF written notice. Additional check-ups by the IF may be made. The payment will be made after the updated progress and/or financial report are approved by the Innovation Fund.

Once the reports have been approved by the IF, the Awardee needs to present a statement from the dedicated bank account which shows that the Awardee has secured and deposited necessary co-financing required for the next quarter. This supporting documentation is to be provided in electronic form only.

In addition to the reports required under the Financing Agreement, it is the Awardee's obligation to report significant project events to the IF, positive or otherwise. As a contributor to the project, the IF would like to be kept abreast of the project status. In the event of favorable variations or unforeseen problems, the IF's early awareness will enable the IF management to work with the project team in implementing any necessary changes to program 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 the IF in writing as 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

Within two weeks after the end of each reporting period, Awardees are required to submit quarterly progress reports pertaining to project progress (i.e. development activities), describing in detail all previously completed and currently on-going activities, as well as actions planned for the upcoming period. This progress report needs to compare results achieved during the reporting period to the list of activities, time table and indicators originally defined and approved in the Application.

Activities performed during a reporting period must correspond to the financial information that appears in the financial report.

If necessary, the Awardee can submit a revised development plan to reflect any modifications to the original plan of activities.

The progress report is to be signed by the authorized legal representative of the Awardee and submitted to the IF Portal. The template of the progress report can be downloaded from the IF's website.

### Quarterly Financial Report

Within two weeks after the end of each reporting period, Awardees are required to submit financial reports for the previous period, supported by all relevant financial documentation related to project activities. The financial report must document all actual expenditures paid from the dedicated project account. These expenditures must be properly itemized and categorized in accordance with the Approved Project Budget as found in the Financing Agreement.

The purpose of the financial report is to enable the IF to monitor actual expenditures on the project and to assist in decisions relating to the continued financing of the project.

Supporting financial documentation needs to include (but is not limited to) invoices, delivery receipts, payroll calculations for personnel paid from the project, consultant reports on work performed, consultant deliverables (wherever applicable), delivery reports for all purchases and all bank statements from the dedicated project account.

No depreciation will be provided in these statements as per IF financial management requirements. Similarly, the Awardee will recognize salaries as an expense at the moment of payment (accruals will not be eligible for financing).

The Awardee is expected to keep financial records for the project separate from other existing and/or future projects for the period of the project duration.

The Awardee will permit the IF or persons or auditors appointed by the IF 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 Innovation Fund.

Financial report is to be signed by the authorized legal representative of the Awardee and submitted to the IF Portal. The template of the financial report can be downloaded from the IF's website.

### Final Progress Report

Within four weeks after the end of the final reporting period, Awardees are required to submit the final progress report pertaining to project progress (i.e. development activities), describing in detail all previously completed and currently on-going activities, as well as actions planned for the upcoming period. This final progress report needs to compare results achieved during the entire project implementation period to the list of activities, time table and milestones originally defined and approved in the Application.

Final progress report is to be signed by the authorized legal representative of the Awardee and submitted to the IF Portal. The template of the final progress report can be downloaded from the IF's website.

## **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 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 (at least once per year);
- C) Review of submitted final progress report;
- D) Review of visibility requirements;

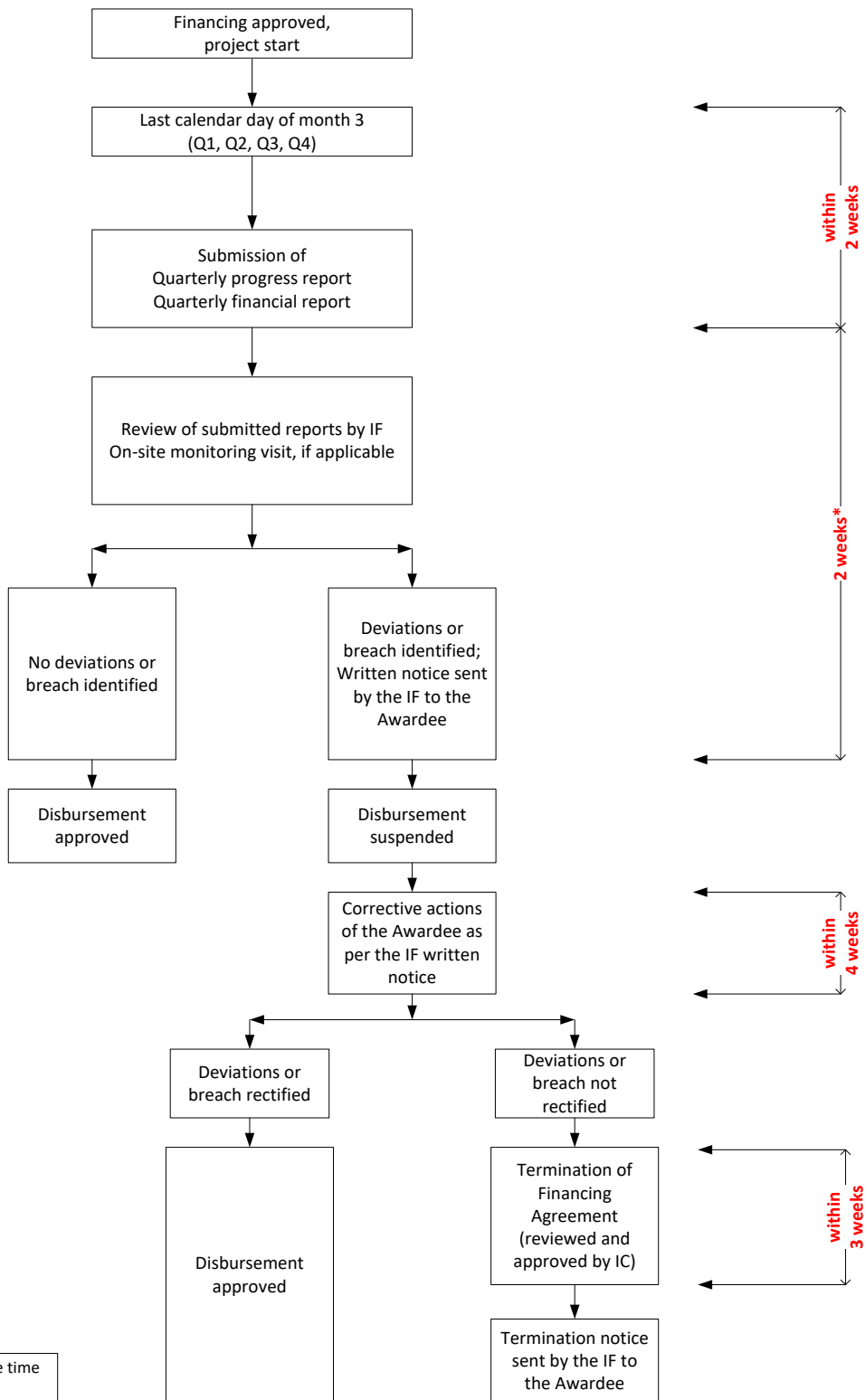
The purpose of the monitoring visit by the IF staff is primarily to check that project development and financial activities are occurring as reported and as stated in the approved project documents. The IF will perform monitoring visits at least once per year or more often, if deemed necessary. The IF 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

Awardee should create a master file at the beginning of the project period. This master file should include the following documentation:

- Application and supporting documentation as specified in the Section 3 of this manual;
- Any official documentation exchanged between the Awardee and the IF during the application period (e.g. response from the IF's Investment Committee, notifications from the IF, etc.);
- Award notification;
- Any official documentation exchanged between the Awardee and the IF during the project implementation;
- Copies of all reports required by and submitted to the IF;
- Copies of all invoices and supporting financial documentation related to proof of purchase and payments from the dedicated project account;
- Procurement documentation;
- Records including agreements with third parties, invoices and other payment records that are related to the project. During the monitoring visit the master file must be made available.

The Awardee needs to archive all project documentation in the master file for a period of at least 5 years following project completion.

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 MINI GRANTS 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 MINI GRANTS 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.