



Innovation Fund

Collaborative Grant Scheme Program

GRANT MANUAL

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DEFINITIONS

Applicant	A consortium applying for the Collaborative Grant Scheme Program, legally represented by the Lead Applicant of the consortium.
Application	The package of all necessary documents and data submitted by the Applicant, including Project Proposal.
Approved Project Budget	Project budget approved by the IF.
Awardee	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.
Co-Applicant	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.
Financing Agreement	A document signed between the Awardee and the Innovation Fund, governing the terms and conditions of the financing under the Collaborative Grant Scheme Program.
Final Settlement	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.
Intellectual Property (IP)	Any product of the human intellect that the law protects from unauthorized use by others. May refer to inventions, literary and artistic works and symbols, names and images used in commerce.
Investment Committee	The Innovation Fund's independent decision-making body comprised of international experts, which makes the final decision regarding financing.
Lead Applicant	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.
Lead Co-Applicant	A registered public Scientific Research Organization acting as the main partner in a consortium which is applying for this program in accordance with the Applicant eligibility criteria.



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Project Proposal	An integral part of the Application, consisting of a business plan, project budget, project presentation and Applicant statement.
R&D	Research and development
SRO	Scientific Research Organizations, as defined by the Law on Scientific Research Activity 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 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 precompetitive technologies with significant future impact and market potential.

1.2. AMOUNT AND TYPE OF FINANCING

The Program will cover a maximum of seventy percent (70%) of total project costs for projects whose Lead Applicant is a micro or small enterprise and a maximum of sixty (60%) percent of total project costs for projects whose Lead Applicant is a medium sized enterprise, but the IF financing cannot exceed more than EUR 300,000 per project. The minimum of thirty percent (30%) of the total Approved Project Budget for small and micro enterprises and forty percent (40%) for medium sized enterprises is to be secured by the Applicant from other, private sector sources, independently of the IF or any other public sector financing programs.

The financing approved by the Innovation Fund is based on specific needs of every project, as originally submitted by the Applicant through their Proposed Project Budget. However, before approving a Project Proposal 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.

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 or non-grant programs.

The co-financing arrangements are to be defined by the consortia members among themselves prior to submitting the Project Proposal. Projects whose co-financing is dependent on several smaller entities where none have proven substantial relevant business experience or co-financing capabilities may be subject to greater scrutiny.

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.

1.3. DURATION OF THE PROJECT

The project and the project budget must be designed for completion within a maximum of 24 months. Extensions of the project are generally not allowed. However, the project may be extended for up to additional six (6) months under exceptional circumstances (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.) at the discretion of the IF's independent Investment Committee. The approved amount of financing is not subject to increase.

1.4. INDUSTRY AREAS AND TYPES OF RESEARCH

The Program is designed to support all development projects where new intellectual property with long term and near term commercial and practical applicability is being created, without discrimination in regards to the field of industry from which the projects originate. All stages of technological development will be considered for financing, covering new products, services, technologies and processes coming from all fields of science and technology.

1.5. APPLICANT ELIGIBILITY CRITERIA

The Applicant needs to be a *consortium* which fulfills the following criteria:

- The consortium's **Lead Applicant must be a private sector micro, small or medium company¹ 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 Scientific Research Organization registered and accredited in Serbia in accordance with the current Serbian Law on Scientific Research Activity in effect 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 micro and small private sector companies, Scientific Research Organizations both domestic and foreign 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. All consortium members must provide confirmation that there are no legal obstacles of any kind (lawsuits, bans, suspensions, etc.) pertaining to their business activities and that there are no outstanding tax debts.

Modified and improved Applications are allowed. However, substantially the same Application can be resubmitted only once (regarding all IF's financial programs). 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.

¹ In accordance with the current Serbian Law on accounting.

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 a Lead Applicant who is already implementing a project (or funds have been allocated for financing) within the IF's Mini Grants, Matching Grants and the Collaborative Grant Scheme Program at the time of the submission **are not eligible and will not be taken into consideration.**

If the Lead Applicant is a micro or small company, the Innovation Fund may provide financing of up to a maximum of 70% of the Approved Project Budget. If the Lead Applicant is a medium company, the Innovation Fund may provide financing of up to a maximum of 60% of the Approved Project Budget.

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 Project Proposal to the Innovation Fund.

1.6. INTELLECTUAL PROPERTY 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. This document 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 2 of this manual).

1.7. EVALUATION CRITERIA

All Applications will be evaluated based on the following evaluation 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).

Peer reviewers and the Investment Committee will assess all eligible proposals with diligence, transparency and attention to detail, focusing both on each individual criterion, as well as on the holistic quality of the Application. Only Project Proposals satisfying all above mentioned criteria will be recommended for financing.

1.8. ELIGIBLE EXPENSES

The following expense categories are eligible for financing under the Program:

- Salaries (inclusive of all social benefits for employees working on the project)*;
- R&D equipment and materials and supplies;
- Offices and business support;
- R&D services, subcontracts**;
- R&D experts/advisors**;
- 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 to better reflect the Project Proposal goals and should be clearly justified in accordance with Project Proposal objectives.

**Maximum single salary that can be paid from the project funds amounts up to three national average salaries according to the latest publication of the Official Gazette of the Republic of Serbia.*

*** This category may include business development services incurred directly as a result of research activities, i.e. those services directly related to the R&D activities of Project Proposal.*

1.9. NON-ELIGIBLE EXPENSES

Expenses that will not be considered for financing by the IF include but are not limited to:

- Interest or debt owed to any party;
- Expenditures and provisions for possible future losses or debts;
- Taxes, including VAT², duties and charges;
- Items already financed through another framework, program or company/institution;

² The project funds must not be used for VAT or any other tax payments. Depending on the sources of financing for the Collaborative Grant Scheme Program and in cases where applicable, the funds awarded to the Awardee may be VAT exempt. If and where applicable, any requests for VAT exemption submitted to Tax Authorities for purchases (for goods and/or services) larger than EUR 5,000 must be previously approved and co-signed by the IF.



- Currency exchange losses, fees and penalties;
- Marketing, sales and distribution costs for promoting the technology, product or service;
- Entertainment and hospitality expenses;
- Recruitment, relocation or subscription costs;
- Travel costs (including per diems);
- Purchase of land or buildings, including any renovation;
- Any activities outlined in the Annex A (Exclusions) of the relevant Environmental and Social Management Framework publicly disclosed on May 4, 2015;
- Cash payments from the dedicated project account.

If non-eligible expenses occur during a specific period, the IF will reduce its disbursement for the next period for the amount of IF's percentage of all non-eligible expenses for the previously monitored period.

1.10. PROCUREMENT PROCEDURES

The Goods and Consultancy services contracts may be procured through acceptable **Commercial Practices** defined below:

GENERAL PRINCIPLES

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

- Where the Awardee does not launch an open tender procedure it shall justify the choice of tenderers that are invited to submit an offer.
- The Awardee shall evaluate the offers received against objective 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).
- The Awardee shall keep sufficient and appropriate documentation with regard to the procedures applied and which justify the decision on the pre-selection of tenderers (where an open tender procedure is not used) and award the decision.

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

For **contracts estimated to cost below EUR 50,000**, the IF will verify the proof of purchase through a review of invoices and contracts and conducting on-site verifications on a sample basis. The Awardee is required to obtain 3 (three) relevant quotations for each procurement. For small value purchases of up to EUR 5,000, procurement may be executed through telephone or verbal solicitations.

For procurement of goods and services **for contracts estimated to cost EUR 50,000 or more**, the Awardees will be required to provide 3 (three) relevant quotations and a detailed specification of the proposed purchase to the IF for prior review and approval. If three viable, competitive quotations cannot be

obtained, a justification should be documented for IF prior consent. Only after obtaining the IF's written consent the Awardee will be allowed to finalize the procurement procedure and make corresponding payments.

Contracts may also be placed by the Awardees based on direct/single source in cases where benefit of competition has been considered and rejected for sound reasons. Direct/single source selection may be considered with proper justification notes in file.

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

Awardees may award contracts to their parent or affiliate companies if there is an established arm's length arrangement or if the Awardee can demonstrate that the proposed contract price is in line with prices prevailing in the market – such contracts will require prior review and approval by IF.

The procurement of second hand or refurbished goods shall not be eligible for financing.

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

All procurement complaints received by Awardees will be addressed by the IF.

All contract information and project-related facilities shall be available to the IF staff for review.

1.11. ACCEPTANCE OF PROGRAM TERMS

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

- Collaborative Grant Scheme 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;
- Commercial procurement practices as described in section 1.10 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:



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- (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.

1.12. 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 three 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.

2. APPLICATION DOCUMENTATION

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. A complete set of necessary Application documentation can be found on the Innovation Fund’s website and the Collaborative Grant Scheme portal (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 support to all interested Applicants in regards to the administrative aspects of preparing Project Proposals 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. The complete Application documentation consists of two different types of documents:

Project Proposal documentation:

- Applicant Statement (to be signed and stamped by the Lead Applicant's authorized legal representative and co-signed and stamped by all other consortia members' authorized legal representatives);
- Business Plan;
- Project Budget;
- Project Presentation;
- Environmental Screening Questionnaire (ESQ)³.
- CVs of the key personnel to be engaged in the project (maximum 5).

Financial documentation:

- Financial statements from the Lead Applicant for the past two years (or the past year, where applicable).

3. APPLICATION PROCEDURE

3.1. GENERAL INSTRUCTIONS FOR THE APPLICATION PROCESS

While preparing the Application please consider the following:

- There is only one Application submission per Applicant per Call for proposals;
- Only Applications submitted using the IF online application portal and predefined document templates will be considered;
- Applicants will receive automatic e-mail verification upon Application submission on the IF online application portal. Should an Applicant not receive confirmation, the Applicant should contact the IF staff;
- Only complete Applications will be accepted.

3.2. 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 to be made by the Lead Applicant of the consortium

³ If applicable, the Applicant may be required to submit an Environmental Management Plan (EMP) at a later stage of Project Proposal evaluation.

and 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 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 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 Lead 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.

Lead Applicants can open several projects with their account, but can only submit one (1) Project Proposal within a Call for proposals. 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 "Collaborative Grant Scheme" tab.

3.3. 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, a 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 Project Proposal 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 Project Proposal 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.**

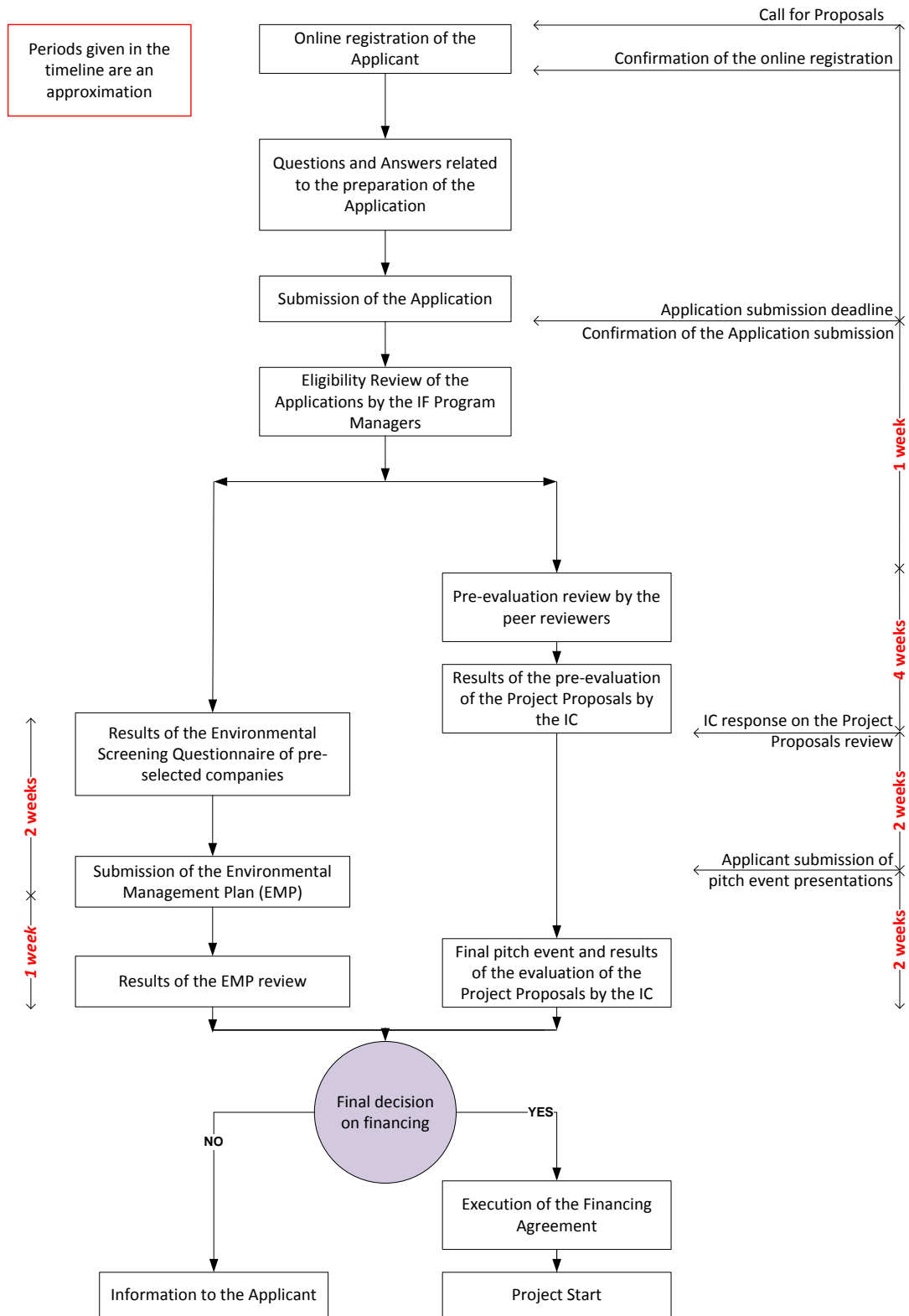
3.4. PROCESS FLOW AND TIMELINE

The application process is structured in the following manner:

1. Registration of the Lead Applicant on the IF portal
2. Lead Applicant's creation of a new project by selecting the "Collaborative Grant Scheme" option
3. Upload and final submission of Application documents
4. Eligibility review by the IF staff
5. International independent evaluation of submitted Project Proposals
 - a. Technical review by international Peer-reviewers
 - b. Evaluation and pre-selection by the Investment Committee
 - c. Environmental screening for pre-selected Applicants
 - d. Final decision on financing by the Investment Committee
6. Signing of the Financing Agreement and beginning of project implementation

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

Figure 1: Application Procedure



3.5. PROJECT PROPOSAL EVALUATION PROCESS

3.5.1. ELIGIBILITY REVIEW

After the Application is submitted, the IF staff will conduct a desk review of the eligibility and completeness of the submitted Application as well as initial screening of the submitted documents (where applicable). Please observe that only fully completed, signed, and electronically submitted Applications will be considered for further 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 will be notified of their ineligibility by email, after the IF completes eligibility review of all submitted Applications.

If an Applicant wishes to file a fact-based objection to the outcome of the eligibility review (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 and not exceeding 500 words within 8 calendar days from the day of receiving the original eligibility review decision notification.

3.5.2. PRE-SELECTION OF APPLICATIONS

The pre-evaluation of the Applications for the Collaborative Grant Scheme Program includes a technical peer-review by independent international reviewers. Following this step, based on its own review of the complete Application and taking into consideration the results of the peer-review, the IF's independent Investment Committee will pre-select via consensus Applications for further consideration for financing under the IF's Collaborative Grant Scheme Program.

If an Applicant wishes to file a fact-based objection to the outcome of the preselection decision (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 and not exceeding 500 words within 8 calendar days from the day of receiving the original preselection decision notification.

During the course of the evaluation of submitted Applications, the Applicant may be required to submit supplemental information. Applicants will also be required to host the on-site visits by the IF staff and contractors (or its representatives) for the purposes of the evaluation, when and if necessary.

3.5.3. ENVIRONMENTAL MANAGEMENT⁴

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 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). Environmental and Social Management Framework specifies environmental

⁴ As per Environmental and Social Management Framework (ESMF) the Applicant is obliged to follow the environmental procedures.

and social procedures for implemented projects to adhere to, which are consistent with WB Safeguard policies and 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.

3.5.4. FINANCING DECISION

The final decision for financing under the Collaborative Grant Scheme Program is made by the IF's independent Investment Committee via consensus at a live pitch event. During this event, all pre-selected Applicants which have been previously approved by the IF's independent Environmental Expert will be given the chance to present their Projects in front of the independent Investment Committee. The IF's independent Investment Committee is responsible for selecting Awardees for financing based on the complete Application, the result of the technical peer reviewer feedback and the results of the live pitch event presentation. Following the Investment Committee's decision to award financing, the Applicant will be notified about the positive decision on financing and subsequently offered to sign the Financing Agreement. In case any significant changes arise within the structure of a Project (or the Applicant) that was approved for financing before the signing of the Financing Agreement, the independent Investment Committee reserves the right to alter and adjust its decision in accordance with these changes.

4. IMPLEMENTATION AND MONITORING OF THE PROJECT

4.1. GENERAL IMPLEMENTATION PRINCIPLES

The Awardee is required to carry out the project diligently, timely and efficiently in accordance with the terms of the Collaborative Grant Scheme 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 and procedures 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 Project Proposal. Any significant deviation from the Project Proposal (e.g. project is not on schedule for completion within timeframes defined in the Project Proposal, proposed milestones are not achieved) requires prior written consent of the IF.

The IF reserves the right to require Awardees to submit to the IF for prior approval all contracts with third parties related to the purchases of goods and/or services unless the contracts were approved prior to the signing of the Financing Agreement.

4.2. DISBURSEMENT OF PROJECT FUNDS

After a Project Proposal is approved, the Awardee (Lead Applicant) 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 Lead Applicant 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 for projects whose Lead Applicant is a micro or small enterprise and up to sixty (60%) for projects whose Lead Applicant is a medium sized enterprise. 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 for micro and small enterprises and at least forty (40%) for medium sized enterprises.

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.

Upon review and approval of the reports by the IF, the Awardee will be eligible for disbursement for the next quarter adjusted for difference in prior quarter budgeted figures and actual costs.

Disbursement for the last quarter of the project will be reduced by an amount of up to 10% 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 4.3.

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. The review and approval of the reports will take approximately two (2) weeks and may be subject to an on-site monitoring visit as described in Section 4.3.

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 major budget categories and the Awardee is obligated to inform the IF regarding any such variations. Should the expenses variations related to any major 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 independent Investment Committee.

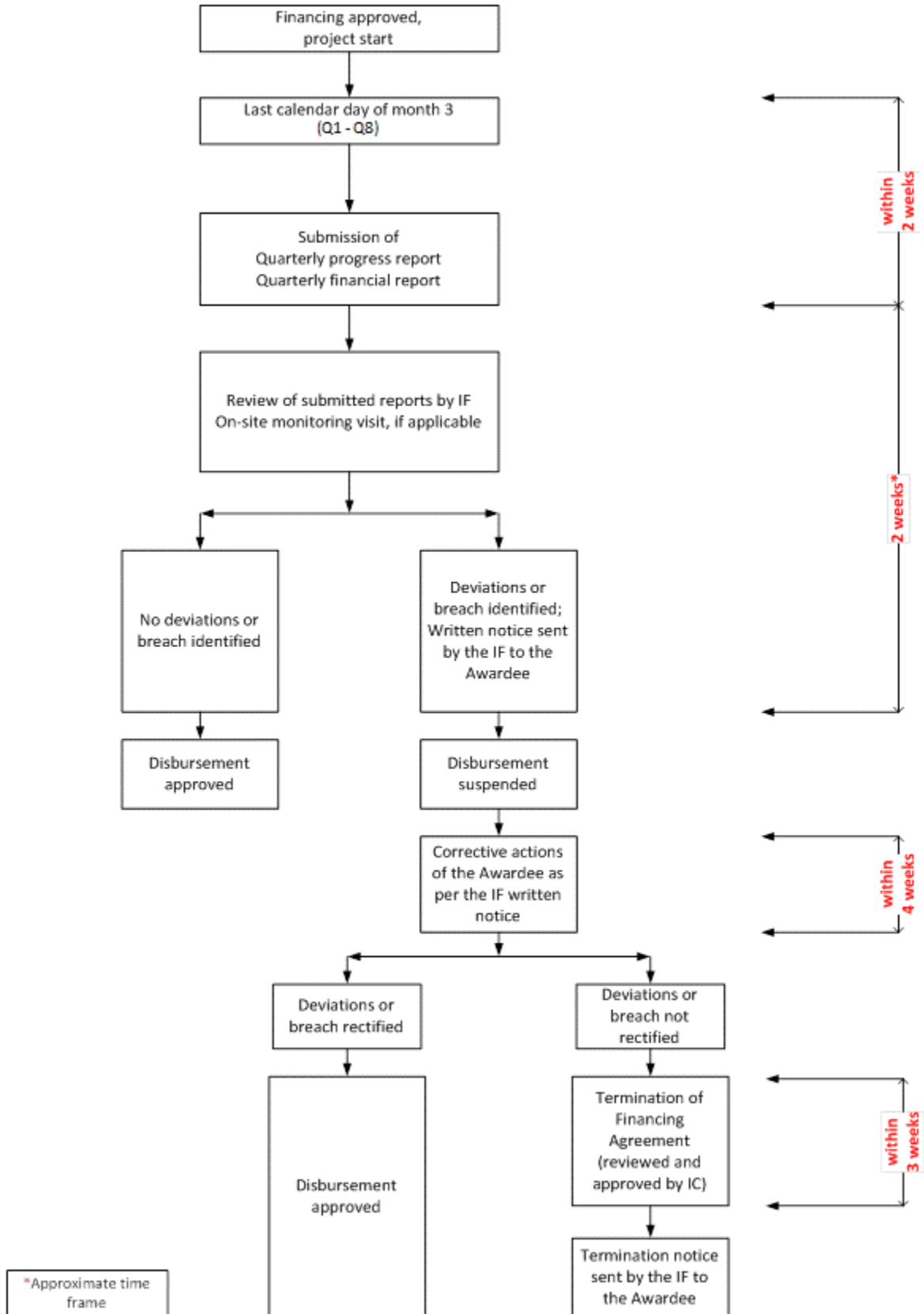
4.3. MONITORING PROCEDURES AND PRINCIPLES

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 IF's discretion;
- C) Review of submitted final progress report.

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

Figure 2: Monitoring procedure



4.3.1. REPORTING

The Awardee is obligated to provide the Innovation Fund with truthful, 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 Innovation Fund 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 period. This supporting documentation is to be provided in electronic form only.

In addition to the formal 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.

4.3.2. 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 milestones, activities, time table and indicators originally defined and approved in the Project Proposal.

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. Furthermore, the Awardee is to provide an updated action plan for the upcoming period, where applicable.

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 and Portal.

4.3.3. 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), service 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 and Portal.

4.3.4. 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 Project Proposal.

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 and Portal.

4.3.5. MONITORING VISIT

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. The further financing depends on the severity of problem and it will be suspended until the deficiencies are corrected.

The Innovation Fund reserves the right to conduct ad hoc monitoring visits, if deemed necessary.

4.3.6. 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 Section 2 of this manual;
- Any official documentation exchanged between the Awardee and IF during the application period (e.g. response from the IF's independent Investment Committee, notifications from IF, etc.);
- Award notification;
- Any official documentation exchanged between the Awardee and the IF during 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;
- 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 3 years following project completion.

4.4. TERMINATION OF FINANCING

In case of termination of financing due to the breach of any terms of the Collaborative Grant Scheme 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 Applicant 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.