

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 after signing of the Financing Agreement.
CFCU	Department for contracting and financing of European Union funded programs within the Republic of Serbia's Ministry of finance.
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.

PRAG

Practical Guide to Contract Procedures for EU External Actions, governing required procedures and protocols when using EU funds, as found on:

http://ec.europa.eu/europeaid/funding/about-funding-and-procedures/procedures-and-practical-guide-prag_en

Project Proposal

Project Proposal is an integral part of the Application. It consists of a business plan, project budget, consortium and 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 Collaborative Grant Scheme represents the second part of the “Serbia Research, Innovation and Technology Transfer Project (SRITTP)” and is financed by the EU through Instrument for Pre-Accession (IPA) 2013 funds. The objectives of the Collaborative Grant Scheme are to:

- Create a strategic framework in Serbia for supporting R&D and innovation
- Promote cooperation between public Scientific Research Organizations and the private sector in order to improve research capabilities, strengthen SME capacities to innovate and increase business investment in R&D

1.2. AMOUNT AND TYPE OF FINANCING

Through the Collaborative Grant Scheme program, the Innovation Fund (IF) will provide financing up to a maximum of 70%¹ of total costs of the Approved Project Budget, not to exceed EUR 300,000 per project. The Applicant consortia members are expected to provide mandatory co-financing for the project in the amount of at least 30% of total costs of the Approved Project Budget, from sources independent from the Innovation Fund or other EU donor 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, the Innovation Fund reserves the right to specify or alter its final approved co-financing for the Project at the discretion of the Innovation Fund’s independent Investment Committee. Continued financing of the Project for the second year (if applicable) will be subject to the IF’s independent Investment Committee review, based on the submission of required documents upon completion of the third quarter of financing, as described in Section 5.4.

Acceptable sources of co-financing include the Applicant’s own cash resources, private investors, venture capital, private equity and private sector debt financing. Co-financing must exclude any other financing from the Innovation Fund or other EU donors. In-kind contributions are not allowed.

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.

1.3. DURATION OF THE PROJECT

Due to the predefined limited duration of the Serbia Research, Innovation and Technology Transfer Project, all projects financed through the Collaborative Grant Scheme must be designed for completion

¹ Maximum percentage of IF financing varies depending on the specifics related to Applicants as defined in the section 1.5. Applicant Eligibility Criteria.

between 12 and 24 months. Extensions of the projects are generally not allowed, but may be granted under exceptional circumstances at Innovation Fund's discretion.

1.4. INDUSTRY AREAS AND TYPES OF RESEARCH

The Collaborative Grant Scheme 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, ranging from early stage² to commercially mature technologies, products and services 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 company³ incorporated in Serbia, in accordance with the current Serbian Company Law in effect**, with average operating annual revenue of at least EUR 200,000 (for the last 3 years or for the number of years operational if younger) and profitable;
- The consortium **must include at least one public Scientific Research Organization registered 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 and/or Scientific Research Organizations both domestic and foreign 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.

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

² Research conducted for the purpose of developing new commercially applicable technologies and technological platforms with long term utility, which are often subsequently used for creation of new commercial products and services.

³ European Commission - 2003/361/EC, an EU definition of SMEs

http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm

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

The Applicant is required to show proof of IP and know-how rights, including but not limited to licensing agreements, in-kind IP contribution agreements, options or commitments, if any, and other agreements confirming that the Applicant owns or has rights to the technology being developed and the finished product or service. Further, the Applicant needs to confirm that no IP related to Project Proposal infringes IP rights of any third party. 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 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 members 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 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;
- Level and type of co-financing;
- Innovative technology, product or service; clear IP position and potential;
- Clear market need, competitive (preferably global or EU) position and commercialization potential;
- Well-developed organizational design and project management system (including clear roles, responsibilities, authorities and accountabilities (R2A2s) for all consortia members and well-designed budget strategy, 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.

1.8. ELIGIBLE EXPENSES

The majority of the project funds should be used to directly finance development activities. There are no strict limitations for the percentage of funds allocated to each budget category, but the Innovation Fund reserves the right to alter or modify these categories based on its assessment of the project's needs. The following categories are to be treated as eligible expenses:

- Human resources
 - Salaries and remunerations (per employment, authorship, service contracts and other type thereof), inclusive of all taxes and social benefits on behalf of both the employee and the employer, for all personnel engaged on a regular active level*;
 - R&D experts and advisors consultancy fees for personnel engaged on specific project tasks or periods**;
- R&D equipment and supplies – purchases must pertain to project development activities,
- R&D services and subcontracts – services provided must pertain to project development activities,
- IP protection fees – pertaining only to IP which is to be developed through the proposed project, or existing IP already owned by the consortia which is crucial for development of new IP within the project, subject to approval from the Innovation Fund;
- Office rent and business support such as accounting, legal services and audit fees.

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

**Maximum daily rate for consultants is to be calculated based on the average rate for the consultant's given field of specialization. The Innovation Fund reserves the right to question, analyze and alter the given consultant rate, if deemed necessary.

Taking into account the uniqueness of every Application, the proposed funds for categories and items listed above may be conditionally adjusted by the Innovation Fund to reflect the Project Proposal goals and clearly justified in accordance with Project Proposal 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. In accordance with regulations governing the financing through the European Union Instrument for Pre-Accession (IPA), the financing under the Collaborative Grant Scheme Program is Value Added Tax (VAT) exempt. Therefore, the project funds must not be used for any VAT payments. Any requests for VAT exemption for purchases (for goods and/or services) larger than EUR 10,000 must be approved and co-signed by the CFCU/IF before submission to Tax Authorities.

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 VAT, duties and charges;
- Items already financed through another framework, program or company/institution;

- Currency exchange losses, fees and penalties;
- Entertainment and hospitality expenses;
- Sales and marketing expenses;
- Recruitment, relocation or subscription costs;
- Purchase of land or buildings, including any renovation;
- Cash payments from the dedicated project account;
- Advance payments unless proof of purchase (i.e., invoices, delivery reports, consultant reports) is provided and/or advance payment is secured by advance payment guarantee.

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, based on the PRAG principles described 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.

The Awardee may decide to apply the procurement procedures set forth in the Practical Guide. If these procedures are correctly followed the principles above will be deemed complied with. The IF may carry out ex post checks on Awardee's compliance with the principles above and the rules below. Failure to comply with these principles or rules would render the related expenditure ineligible for funding. The provisions of this section apply to contracts to be concluded by the Awardee's affiliated entity(ies).

ELIGIBILITY FOR PROCUREMENT CONTRACTS

The nationality rule

Participation in tender procedures managed by the Awardee is open on equal terms to all natural and legal persons effectively established in a EU Member State or a country, territory or region mentioned as eligible by the relevant regulation/basic act governing the eligibility rules for the grant as per Annexes

a2a to the PRAG Practical Guide (<http://ec.europa.eu/europeaid/prag/annexes.do?group=A>). Tenderers must state their nationality in their tenders and provide the usual proof of nationality under their national legislation. This rule does not apply to the experts proposed under service tenders financed by the grant.

The rule of origin

If the basic act or the other applicable instruments so require, the tenderer must prove the origin⁴ of the supplies acquired under the grant. Where rules of origin need to be respected⁵, and the unit cost on purchase is above EUR 5,000, contractors must present proof of origin to the Awardee at the latest when the first invoice is presented. The certificate of origin must be made out by the competent authorities of the country of origin of the supplies and must comply with the rules laid down by the relevant Union legislation. Where supplies may originate from any country, no certificate of origin needs to be submitted.

Exceptions to the rules on nationality and origin

Where an agreement on widening the market for procurement of goods, works or services applies, access must also be open to nationals and goods originating from other countries under the conditions laid down in that agreement.

In addition, in duly substantiated exceptional cases foreseen by the applicable regulations, in order to give access to nationals or goods originating from countries other than those referred to above in sections the **nationality rule** and **rules of origin**, derogation by the European Commission must be sought prior to the launch of the procedures.

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 10,000, the IF will verify the proof of purchase through a review of invoices and contracts and conducting on-site verifications on a sample basis. Procurement may be executed through telephone or verbal solicitations.

For procurement of goods and services for contracts estimated to cost EUR 10,000 or more, the Awardees will be required to provide to the IF adequate documents pertaining to the conducted procurement procedure in accordance with PRAG. Only after obtaining the IF's written consent will the Awardee be allowed to finalize the procurement procedure and make corresponding payments.

Awardees shall not award contracts to their parent or affiliate companies unless there is an established arm's length arrangement.

⁴ For the purpose of this annex, the term "origin" is defined in chapter 2 of Regulation (EC) No 450/2008 of the European Parliament and of the Council of 23 April 2008 laying down the EU Customs Code (Modernised Customs Code).

⁵ Under the CIR (i.e. not IPA I) and the EDF supplies may originate from any country if the amount of the supplies to be procured is below EUR 100,000 per purchase.

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

No contract will be financed with a firm which is not eligible under the principles of the Practical Guide to Contract Procedures for EU External Actions as of July 15, 2015 (PRAG).

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 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:

- (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 Program Managers if any questions arise.

1.12. INFORMATION REQUIREMENTS REGARDING PROJECT PROPOSALS

During the course of the IF's 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 for the purposes of the evaluation, when and if necessary. 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 former Awardees any corporate information deemed relevant to the IF's process of monitoring and evaluation of the Serbia Research, Innovation and Technology Transfer Project. Awardees are obliged to make their best efforts to deliver the required information within the period of 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, both electronically through the IF portal and in hard copy for the Innovation Fund's archive where required. 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. Additionally, the Fund will facilitate matchmaking sessions with the goal of establishing contacts between public Scientific Research Organizations and the private sector, where and when possible. 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;
- Consortium and Project Presentation;
- Environmental Screening Questionnaire (ESQ)*.

Corporate, IP and supporting documentation:

- Business Registration Form issued by SBRA (Serbian Business Registration Agency)⁶ for the Lead Applicant and any other enterprises in the consortium*;
- Registration certificate from the Serbian Registry of Accredited Scientific Research Organizations for the Lead Co-Applicant and any other research and development institutions in the consortium*;
- Proof of co-financing, including but not limited to written guarantees and statements, investment contracts (e.g. capital contributions), debt agreements (e.g. credit agreements with the banks or financial institutions, loan agreements), company cash contribution (e.g. cash acquired through current business operations, cash expected from the ongoing and future business operations) and similar⁷, signed and stamped*;
- Proof of IP rights, including but not limited to licensing agreements, in-kind IP contribution agreements, options or commitments, if any, and other agreements confirming that the Applicant owns or has rights to use the technology being developed and the finished product or service, as well as any contract, agreement or relevant proof between consortium members which regulates the ownership and right of use for any IP used or created throughout the project, signed and stamped*;
- CVs of the key personnel engaged in the project (maximum 5);
- Financial statements from the Lead Applicant for the past two years.

*Document to be provided as a hard copy (original) and to be uploaded to the IF online application portal as well as electronically.

All information and documents need to be written and submitted in the English language because the evaluation will be conducted by independent international peer reviewers and the IF's independent Investment Committee, with the exception of the official documents regarding the Applicants that are issued only in Serbian language.

The Applicants must fill out all required fields in the documents described above. All contracts pertaining to the structure of the consortium, co-financing and intellectual property rights need to be signed and stamped by authorized representatives of all contracting parties.

In order for the Application to be complete all documents need to be uploaded electronically (signed and scanned wherever applicable) to the IF Portal. Required hard copy documentation needs to be sent

⁶ The form must not be older than six (6) months at the time of submission.

⁷ Applicants aren't obligated to hold the necessary co-financing funds on their account at the time of application submission.

in hard-copy via mail or courier service to the IF office, with the post stamp being no later than the exact time of the deadline for the call for proposals. After the IF receives the required Application documents in hard copy, the Applicant will be notified by email of receipt.

For additional information regarding which documents need to be submitted in hard copy, please consult the Application Content Checklist.

3. APPLICATION PROCEDURE

3.1. REGISTRATION PROCEDURE INSTRUCTIONS

In order to apply for this program, the Applicants first need to register an account on the Innovation Fund's portal, accessed via the IF website. The registration request is to be made by the Lead Applicant of the consortium 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. Lead Applicants can open several projects with their account, but can only submit one (1) Project Proposal as the Lead Applicant during any given deadline. 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.

3.2. APPLICATION SUBMISSION INSTRUCTIONS

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

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

Once uploaded, 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.

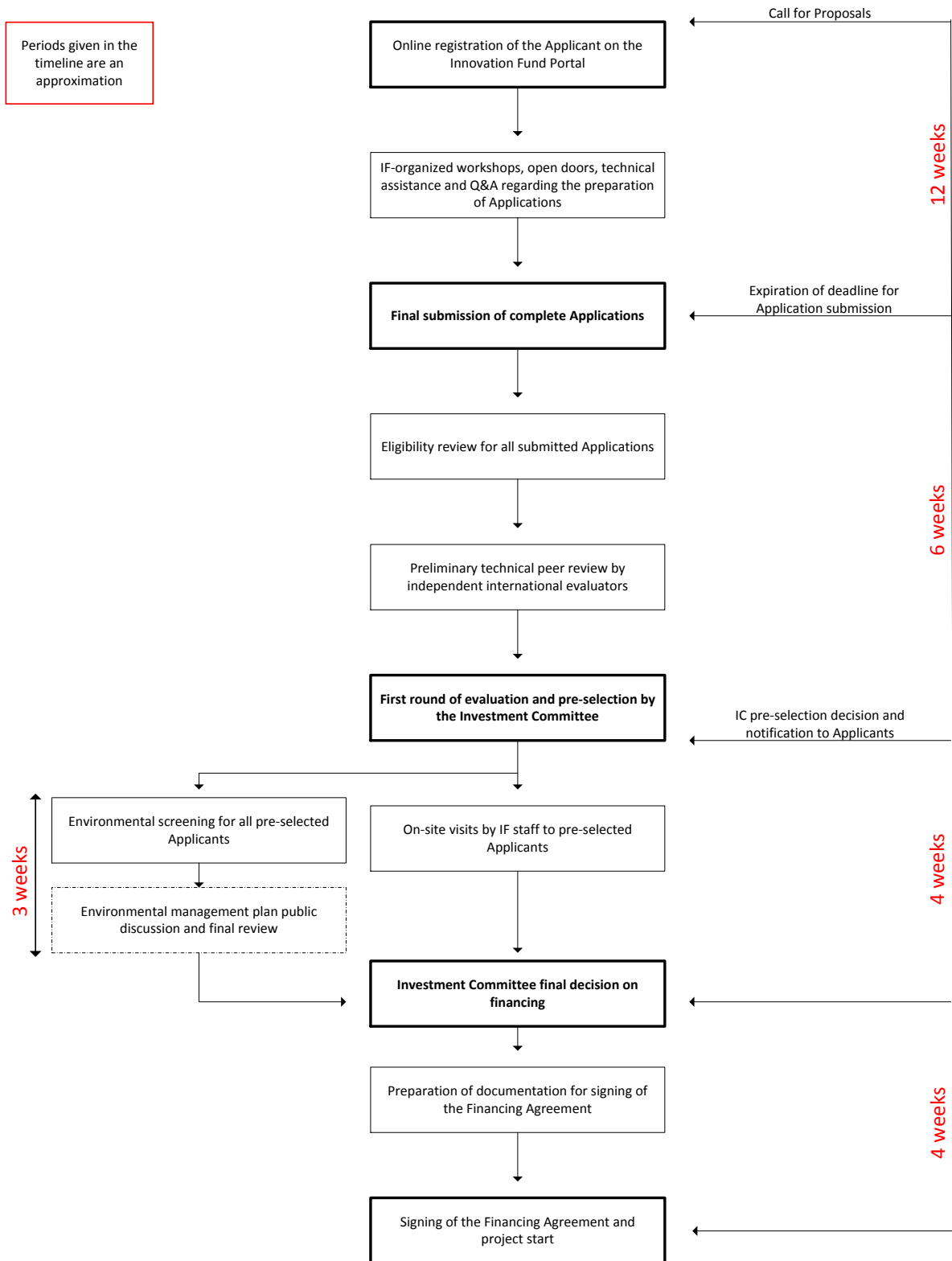
It is the Applicant's responsibility to ensure the timely submission of the information/documents. The Applications submitted after the deadline will not be considered for the evaluation.

3.3. 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. On-site visits by IF staff to pre-selected Applicants
 - d. Environmental screening for pre-selected Applicants
 - e. 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


4. PROJECT PROPOSAL EVALUATION PROCESS

The Innovation Fund has established a competitive international project evaluation process based on merit and quality. Assessment of Project Proposals is entrusted to the Innovation Fund's independent Investment Committee, which makes the final decision on financing via consensus. The Investment Committee is supported by international peer reviewers with both academic and entrepreneurial experience in relevant fields of business, science and technology.

4.1. ELIGIBILITY REVIEW

Upon the expiration of the deadline for the call for proposals, an eligibility check is performed by the Innovation Fund staff for all submitted Project Proposals to determine whether the Applicants comply with all the eligibility criteria defined for the purpose of this program and completeness of the submitted Application. The eligibility review consists of consortium members' background checks, including but not limited to, SBRA data, national registries, financial reports and balance sheets. The Innovation Fund reserves the right to request additional information from any of the consortium members in order to determine compliance with eligibility criteria listed under section 1.5.

All eligible proposals are sent to the first round of evaluation, which is conducted by international technical peer reviewers before being assessed by the Investment Committee. Ineligible Applicants will be notified of their ineligibility by email after the IF completes eligibility review of all submitted Applications.

4.2. TECHNICAL PEER REVIEW

The Innovation Fund has a diverse pool of peer reviewers from all fields of business, science and technology. Each Project Proposal that successfully passes the eligibility check is assigned at least two independent and professional technical peer reviewers, which have ample international experience in business and technology in the field relevant to the Project Proposal assigned to them.

Each proposal will undergo a technical peer review based on merits in individual categories and criteria, as well as holistically. This assessment is then presented to the Innovation Fund's independent Investment Committee.

4.3. PRE-SELECTION

Following the technical review, the IF's independent Investment Committee will assess all Applications in accordance with the evaluation criteria stipulated in section 1.9 of this document based on merits in individual categories and criteria, as well as holistically.

As a result of this evaluation process phase, the Investment Committee pre-selects proposals which will be further analyzed in greater depth. Applicants whose proposals are not pre-selected will be notified via email and provided with reasons for rejection and Investment Committee comments regarding their Project Proposals. Rejected proposals can be resubmitted once in subsequent calls for proposals, subject to addressing the deficiencies and feedback received from the Investment Committee.

4.4. IF ON-SITE VISIT

The Innovation Fund staff will conduct on-site visits with key project staff for all provisionally pre-selected Applications. The purpose of the on-site visit is to objectively verify the credibility of the proposed project team and to acquire supplemental information regarding the Project Proposal, if needed.

The date and time of the on-site visit will be jointly agreed on by the Innovation Fund's Program Managers and the key project staff, with the requirement that the visit be completed within the time frame described in section 3.3, or within any reasonable time frame defined by the Innovation Fund.

4.5. ENVIRONMENTAL IMPACT ASSESSMENT AND MANAGEMENT

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 Environment Management Plan (EMP) is required. When the project requires the preparation of the Environment Management Plan, 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 Serbia Research, Innovation and Technology Transfer Project's Environmental Management Framework available on-line (www.innovationfund.rs). In cases where a project requires an EMP and the Applicant does not prepare it in due time, that Application would become ineligible for further evaluation.

4.6. FINAL FINANCING DECISION

The final decision for financing under the Collaborative Grant Scheme Program is made by the IF's independent Investment Committee, with the subsequent consent of the IF Board of Directors on the allocation of funds in accordance with the Investment Committee's decision. 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 IF on-site visit. Following the Investment Committee's decision to award financing and the consent of the IF Board of Directors, 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 that was approved for financing, the Investment Committee reserves the right to alter and adjust its decision in accordance with these changes.

5. IMPLEMENTATION AND MONITORING OF THE PROJECT

5.1. 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 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 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 shall use the financing in accordance with the Approved Project Budget and maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards, both in a manner adequate to reflect the operations, resources and expenditures related to the project. 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.

The Awardee is required to strictly honor principles of transparency, business ethics, diligence and financial rationality when implementing the project.

The Awardee shall enable the IF to review/monitor the implementation of the project, its operation and any relevant records and documents and prepare and furnish to the IF all such information as the IF shall reasonably request relating to the implementation of the project.

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.

5.2. DISBURSEMENT OF PROJECT FUNDS

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. It is managed by the Lead Applicant, who 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 IF's disbursement amount will cover up to seventy percent (70%) of the Approved Project Budget for the relevant quarterly period. However, prior to the second and any subsequent disbursement, the Awardee must submit, along with the quarterly progress and financial reports (including supporting documentation), a bank account statement showing that the Awardee has deposited in the dedicated account a minimum of thirty percent (30%) or higher (corresponding to the Approved Project Budget for the given quarter) of the total amount of funds requested for the particular quarterly period. Prior to disbursement of funds for certain items listed in the Approved Project Budget (e.g. goods and services of EUR 10,000 or more and goods and services that are not clearly described in the Approved Project Budget), the Awardee may be required to provide supporting documentation to the IF for prior approval showing that the procurement of goods and/or services has been conducted in line with procedural requirements. Prior to quarterly disbursement, the Awardee must submit quarterly progress and financial reports within two (2) weeks after the last

calendar day of the quarterly project period 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 period.

Disbursement for the last period 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. 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 period 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 three (3) weeks and may be subject to a monitoring visit from the Innovation Fund staff, if needed.

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

Awardee is allowed up to five percent (5%) expenses variations from the total Approved Project Budget within any of the major budget categories (the total budget allocation cannot be exceeded). Should the expenses variations related to any major budget category be expected to exceed five percent (5%) during the course of the project, a written request for funds reallocation must be submitted for the IF approval.

The IF reserves the right to suspend or terminate the financing under the Financing Agreement, or obtain a refund of all or any part of the amount of the financing disbursed, in the event that the Awardee fails to perform any of its obligations under the Financing Agreement.

5.3. MONITORING PROCEDURES AND PRINCIPLES

The Innovation Fund serves as the primary entity in charge of monitoring the usage of funds and overall compliance of its Awardees within the Collaborative Grant Scheme. The fundamental monitoring principles for all financed projects are:

- Zero tolerance for any deviations by the Awardee from any relevant Serbian law;
- Compliance with all requirements stated within the Collaborative Grant Scheme's Grant Manual and the Financing Agreement;
- Transparency in financial and operational management of the project;
- Good corporate governance by the Awardee;
- Adherence to social and gender equality and non-harmful environmental policies;
- Timely reporting by the Awardee.

The Innovation Fund reserves the right to require supplemental documentation from the Awardee at all times, relevant to the project or the Awardee itself.

Monitoring methods include:

- Review of quarterly financial and progress reports;
- On-site visits, where and when required;

- Review of final progress report;
- Ad-hoc visits by auditors, specialists or other entities defined by the IF, CFCU, Delegation of the European Union to the Republic of Serbia or the World Bank, pertaining to various aspects and requirements of projects financed under the Collaborative Grant Scheme.

5.3.1. 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, the Awardee will be eligible for disbursement for the next period.

Quarterly progress report and Financial report need to be submitted both electronically, through the Innovation Fund's portal, as well as in hard copy, signed and stamped by the Awardee's authorized representative.

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.

Quarterly progress and financial reports must be accompanied with copies of invoices and bank account statement relevant for the previous period. Bank account statements need to show all relevant transactions related to submitted invoices. Furthermore, dedicated bank account statements have to show 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.

5.3.2. 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 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.

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

5.3.3. 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, bank account statements, payroll calculations for personnel paid from the project, consultant reports on work performed, the Awardee's written acceptance of consultants' work, 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 and stamped by the authorized legal representative of the Awardee. The template of the financial report can be downloaded from the IF's website and Portal.

5.3.4. 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 and stamped by the authorized legal representative of the Awardee. The template of the final progress report can be downloaded from the IF's website and Portal.

5.3.5. MONITORING VISIT

The purpose of the monitoring visit by the Program Manager/Component Coordinator/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 Program Manager 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 Program Manager 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.

5.3.6. 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.

5.4. APPLICATION FOR CONTINUED FINANCING

The confirmation for continued financing for the second year under the Collaborative Grant Scheme (if applicable) is made by the IF's independent Investment Committee. The Awardee is required to submit the following documents for the IF's independent Investment Committee review:

- Project progress and development plan for the second year;
- Project budget for the second year.

The templates for the above required documents are available through the IF website. These documents must be received by the IF as electronic version uploaded on the IF online application portal within two (2) weeks after the last calendar day of the third project quarter. Please observe that only fully completed documents will be considered for IF's independent Investment Committee evaluation.

For the Awardees whose applications for continued financing for the second year are not approved by the IF's independent Investment Committee, no further financing will be provided or financing amount may be reduced at the discretion of IF based on the review of the project.

5.5. TERMINATION OF FINANCING

The IF may suspend and/or terminate the financing, at its sole discretion, in whole or in part, in the instance of a breach of any terms of the Collaborative Grant Scheme or the Financing Agreement, including but not limited to:

- Failure of the Awardee to provide, promptly as needed, the resources required for project implementation, including failure to deposit the co-financing amounts set forth in the Financing Agreement at the dates specified in the Financing Agreement;
- Failure of the Awardee to use the financing as defined in the Approved Project Budget, including reallocation of funds by the Awardee without prior written consent of the IF;
- Significant failure of the Awardee to carry out the project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial and social standards and practices;
- Providing false information during any stage of the project application, evaluation or implementation and in instances of gross misconduct or fraud;

- Failure of the Awardee to carry out the procurement of goods and consultant services using the defined procurement practices in accordance with practices acceptable to the IF;
- Failure of the Awardee to carry out the project in accordance with sound social standards and practices;
- Failure of the Awardee to maintain policies and procedures adequate to enable the IF to monitor and evaluate the progress of the project and the achievement of its objectives;
- Failure of the Awardee to maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards, both in a manner adequate to reflect the operations, resources and expenditures related to the project;
- Failure of the Awardee to have financial statements audited at the IF request by auditors acceptable to the IF, in accordance with consistently applied auditing standards, and promptly furnish the statements as so audited to the IF;
- Failure of the Awardee to enable the IF to inspect the implementation of the project, its operation and any relevant records and documents and prepare and furnish to the IF all such information as the IF shall reasonably request relating to the implementation of the project;
- Failure of the Awardee to inform the IF of any significant changes to the project (e.g. regarding project implementation, timelines, project budget, deliverables, project staff, etc.).

In case of suspension of financing the IF will send a written notice to the Awardee with information about the existence of a breach and with request to the Awardee to rectify the breach within four (4) weeks after the date of receipt of the notice. In case the Awardee does not resolve the deficiency in the given time frame, the IF has the right to terminate the Financing Agreement. Prior to issuance of the termination notice to the Awardee, the decision to terminate the Financing Agreement will be reviewed and approved by the IF's independent Investment Committee within 3 weeks from the moment the IF notifies the Investment Committee about the pending termination procedure.

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.