Science Fund
of the Republic of Serbia

Science Fund of the Republic of Serbia

Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market"

GRANT MANUAL

April, 2026

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Dear Applicant,

The Science Fund of the Republic of Serbia plays a central role in financing scientific research projects that contribute to the development of a knowledge-based society. An analysis of the Fund's existing programmes, as well as relevant strategic documents of the Republic of Serbia, indicates the need for an additional and more systematic mechanism to strengthen the link between scientific excellence and the practical application of research results in the economy and the public sector. This mechanism includes mandatory verification of the applicability of results in real-world settings.

The Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market" ("Programme") is designed as a horizontal programme enabling the development, testing, and validation of scientific solutions in cooperation with industry partners. It is based on clearly defined expectations regarding applicability, as well as evidence of validation through pilot implementation or testing in a real environment. In addition, the Programme provides a framework for the further development of results, including their market-oriented or institutional application.

Through this Programme, the Science Fund of the Republic of Serbia (SF) aims to support applied research in all scientific fields.

Financing decisions will be made on a competitive basis through a three-stage independent evaluation process. The number of awards will be determined by the quality of the proposals and the total funds allocated to the Science for Industry Program - AI Application in Industry through Scientific Partnership– "From Lab to Market".

We hope the information provided here will help you navigate easily through the process. Additional information and the timetable with the application deadlines will be available through the SF website (http://fondzanauku.gov.rs). Please do not hesitate to contact us with any questions you may have.

Wishing you much success,

Professor Darija Kisić, PhD

Acting Managing Director
Science Fund of the Republic of Serbia

DEFINITIONS

AI Excluded Activity	An AI activity that includes (the following list is indicative and not exhaustive): (i) Any activity directly or indirectly related to weapons or weapons systems; (ii) Facial recognition technologies for mass surveillance, including AI systems that create or expand facial recognition databases through the untargeted scraping of facial images from the internet or CCTV footage, and real-time remote biometric identification systems used in public spaces for law enforcement. (iii) Social scoring systems; and (iv) AI systems that are deliberately designed to deceive or manipulate people, including "deepfakes" and other technologies that can be used to create highly realistic but fabricated content or any other AI systems that manipulate human behavior to circumvent their free will. Any AI activity that directly or indirectly violates Trustworthy AI Principles or otherwise results in any diminution of due process under law, that results in bias or discrimination, that deprives an individual of their civil liberties or rights to civic participation, that infringes any freedom of expression or that misuses personal data or that causes any similar harm to any individual or group of individuals.
Applicant	SRO applying for the Programme for Support of Projects.
Project Proposal	The package of all necessary documents and data submitted by the Applicant.
Approved Project Budget	Project budget approved by the SF.
Awardee	An eligible Applicant that receives a notice from the SF that it has been awarded financing and subsequently signed the Financing Agreement with the SF.
Consortium	An association of at least one or more scientific research organizations and at least one industry partner. The consortium may comprise a maximum of five members.
Environmental and Social Management Framework (ESMF)	Programme-related document created by the Ministry of Science, Technological Development and Innovation ("Ministry"), which defines the steps, processes, and procedures for screening, assessment, management, and monitoring of environmental and social risks and impacts of all activities financed by the World Bank under the Serbia Accelerating Innovation and Growth Entrepreneurship Project (SAIGE).
Environmental and Social Management Plan (ESMP)	A site-specific plan to be developed by the Applicant, in line with the ESMF requirements and templates. ESMP is an instrument that contains detailed information on (a) measures to be taken during the implementation of a certain project to eliminate or compensate for adverse environmental and social impacts or reduce them to an acceptable level; (b) actions necessary to implement the specified measures.
Environmental and Social Management Plan Checklist (ESMP CL)	The ESMP-Checklist to be developed by applicants in line with the ESMF requirements and templates. ESMP-Checklist is a tool that provides guidance on implementing the requirements of the environmental and social standards.

Environmental Screening Questionnaire (ESQ)	Questionnaire on the Environmental and Social Management status and plans.
Financing Agreement/Contract	A document signed between the Awardee and the Science Fund, governing the terms and conditions of the financing under the Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market".
High Risk AI System	AI systems that have the tendency to directly or indirectly violate Trustworthy AI principles throughout the lifecycle of AI systems. This includes, but is not limited to, AI systems deployed in the following areas designated as High risk under Serbia's Ethical Guidelines for Development, Implementation and Use of Robust and Accountable Artificial Intelligence: a. Biometric identification and classification of persons; b. Management of critical infrastructures and their operation; c. Education, vocational training and qualification; d. Employment, human resources and management and access to self-employment. e. Healthcare; f. Access to and use of public and social services and basic private services; and g. Law enforcement.
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.
Project Operations Manual (POM)	The Project Operations Manual (version 1.4) adopted in April 2025 (as may be amended in future) by the Ministry of Science, Technological Development and Innovation of the Republic of Serbia in relation to the Serbia Accelerating Innovation and Growth Entrepreneurship (SAIGE) Project.
Project Team	Group of researchers applying to the Public Call with the Project Proposal.
Principal Investigator	The person who leads the Project and submits the Project Proposal.
Strategic Programme Screening Panel	Experts who evaluate Short Project proposals in stage one of the Evaluation.
Reviewer	Independent peer reviewer engaged by the Science Fund, who evaluates the Full Project Proposal in stage two of the Evaluation.
Team Member	A single researcher who is a member of the project team.
Programme Board (PB)	Members of the programme board are experts who perform evaluation of Full project proposals in stage three of the Evaluation.
Project	Project Proposal approved for financing.
SRO	Scientific Research Organizations, as defined by the Law on Science and Research of the Republic of Serbia.
Trustworthy AI Principles	Collectively, the principles and requirements for robust and accountable AI systems, processes and applications throughout the lifecycle of the AI based on Serbia's Ethical Guidelines for Development, Implementation and Use of Robust and Accountable Artificial Intelligence1, which include, at a minimum, the following: (a) Explainability and verifiability;

[1] https://www.ai.gov.rs/extfile/en/471/Ethical%20guidelines%20for%20development%20implementation%20and%20use%20of%20robust%20and%20accountable%20AI.pdf The Ethical Guidelines include definitions and explanatory materials for each key principle (section 3), which can provide additional (though non-exhaustive) guidance and clarity on the nature and scope of these principles. This list should be read with appropriate cross-referencing to the Ethical Guidelines.

	(b) Dignity; (c) Prohibition to cause damage; (d) Fairness and non-discrimination; (e) Human agency, oversight, determination and control; (f) Technical reliability, safety and security; (g) Privacy, personal data protection and data management; (h) Transparency; (i) Diversity, non-discrimination and equality; (j) Social and environmental wellbeing; (k) Accountability and responsibility; Additionally, "Trustworthy AI" principles incorporate the following principles, as included in other good practice frameworks recognized by Serbia including the "UN General Assembly Resolution on Seizing the opportunities of safe, secure and trustworthy artificial intelligence systems for sustainable development" A/78/L.49 (UNGA Resolution) and the "UNESCO Recommendation on the Ethics of Artificial Intelligence" SHS/BIO/PI/2021/1 (UNESCO Recommendation), including, inter alia: (l) Proportionality and do no harm; (m) Due process; (n) Freedom of expression; (o) Sustainability; (p) Awareness and literacy; and Multi-stakeholder and adaptive governance and collaboration.

1. INTRODUCTION

The Science Fund of the Republic of Serbia is a public organization that supports scientific and research activities. It was established in March 2019, with the aim of providing funds and supporting the conditions for the development of scientific and research activities in the Republic of Serbia necessary for the advancement of a knowledge-based society.

The Fund's activities are represented through research, as well as through technological and developmental programmes. Their goal is to achieve the strategic objectives of the scientific and technological development of the Republic of Serbia.

Within the programmes of the Fund, projects are funded through an open competitive process. The projects aim to provide high-level research, innovative results, competitiveness at an international level, and relevance to society in general.

This Grant Manual (GM) provides general information and guidance on the Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market", including types of Projects eligible to receive grants through the Programme, types of activities under the Project that will be considered for grant support, budgetary considerations, and grant application procedures.

The SF Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market" is funded by the World Bank loan for the Serbia Accelerating Innovation and Growth Entrepreneurship Project (SAIGE).[2]

The GM sets out the key operating policies and procedures for each step of the grant-making process. Furthermore, it describes the key procedural guidelines for the grant-receiving researchers and SROs with regards to project implementation, evaluation and monitoring, and reporting requirements.

The GM is a "work-in-progress" document that will be reviewed regularly and amended to reflect new requirements and best practices and is subject to modification based on the specific requirements of the Programme's sources of financing (state budget of the Republic of Serbia and the World Bank, other donor sources, etc.).

2. PROGRAMME DESCRIPTION

2.1. Programme Objectives

The proposed Science for Industry Program - AI Application in Industry through Scientific Partnership "From Lab to Market" is designed as a horizontal programme enabling the development, testing, and validation of scientific solutions in cooperation with industry partners. It is based on clearly defined expectations regarding applicability, as well as evidence of validation through pilot implementation or testing in a real environment. In addition, the Programme provides a framework for the further development of results, including their market-oriented or institutional application.

The Programme builds upon relevant national strategic and planning documents, including the Strategy for Scientific and Technological Development of the Republic of Serbia 2021-2025 "The Power of Knowledge", the Smart Specialisation Strategy of the Republic of Serbia 2020-2027 (RIS3) and Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the period 2025-2030, as well as other development and sectoral strategies. These documents serve as a guiding framework for defining programme orientation and thematic focus, rather than as a set of topics to

2 The SAIGE Project's development objective is to improve (i) the relevance and excellence of scientific research; and (ii) innovative entrepreneurship and access to finance for enterprise growth, as a way of contributing to Serbia's growth and competitiveness.

be mechanically transposed. In this way, the Programme retains the flexibility necessary to respond to emerging challenges and the evolving needs of the economy and society, while fully respecting the strategic priorities of the Republic of Serbia.

The general objective of the Programme is to support the development and validation of applicable scientific solutions through structured and sustainable partnerships between research organisations and industry. The Programme focuses on results that can be directly used as products, services, technological processes, or public policy solutions, including results with clear potential for further development, commercialisation, and sustainable application in the market, or for adoption within business and public systems.

Specific Objectives are as follows:

- Increasing the number of projects with demonstrable potential for application in a real-world environment, through pilot implementation or testing with an industry partner and end users;

- Strengthening the capacities of research and development organisations to cooperate with industry during the phases of development, testing, and validation of solutions;

- Steering research activities towards industrial sectors recognised as strategic priorities in national strategies;

- Supporting the development of solutions that contribute to the competitiveness, resilience, and sustainability of the economy and the public sector;

- Supporting the development of research results with identifiable market potential, including preparation of solutions for subsequent innovation phases, technology transfer, or cooperation with market actors, without an obligation to commercialise results during the project duration.

The Programme does not support projects focused on fundamental research at the idea stage (TRL 1).

2.2. Types of Projects that can be financed

The Programme lends support to applied research in all scientific fields.

The Programme is thematically guided, but operationally horizontal, and aligned with the Smart Specialisation Strategy of the Republic of Serbia (RIS3) and other relevant strategic documents.

The proposed Science for Industry Program - AI Application in Industry through Scientific Partnership is designed as a horizontal programme enabling the development, testing, and validation of scientific solutions in cooperation with industry partners. It is based on clearly defined expectations regarding applicability, as well as evidence of validation through pilot implementation or testing in a real environment. In addition, the Programme provides a framework for the further development of results, including their market-oriented or institutional application.

Artificial intelligence, digitalisation, energy transition, sustainable energy systems, and health are recognised as horizontal thematic directions that may be addressed across the above domains, in line with relevant national strategies.

The strategic and thematic priorities of the Programme are defined in accordance with valid national strategies, used as an indicative framework for programme orientation rather than as a closed or exhaustive list of topics.

All projects must be clearly positioned within one of the following priority domains, with AI playing

some role in all projects:

- Artificial Intelligence (AI)
- Food for the Future
- Information and Communication Technologies (ICT);
- Machines and Manufacturing Processes of the Future;
- Creative Industries.

Digitalization, energy transition, sustainable energy systems, and health, are recognized as horizontal thematic pillars. The Programme supports projects that, in addition to scientific and societal relevance, demonstrate a clearly identified potential for further development and commercialization of results, in line with the nature of the research and sector-specific characteristics, with a mandatory plan outlining the pathway to application or market. Expected programme outcomes include validated prototypes, pilots, demonstrators, methodologies, and other applicable solutions, including software solutions, datasets, technical and technological improvements, as well as results that are subject to or may be eligible for intellectual property protection.

2.3. Eligibility of Consortium

The project consortium (hereinafter: Consortium) must include at least one accredited scientific research organization in the Republic of Serbia (hereinafter: SRO) and at least one industry partner acting as a co-financier of the project. The consortium may comprise a maximum of five members, including partners from the industry.

The participation of multiple SROs is permitted and encouraged when it contributes to interdisciplinarity/multidisciplinarity and is clearly justified. The programme encourages participation of SROs from different geographic regions and disciplines with the aim of securing balanced regional representation and synergy of different research disciplines.

Only accredited scientific research organizations (SROs) participating in the project may be beneficiaries of the Science Fund's financial resources under this Programme. Industry partners may not receive funding from the Programme.

2.4. Industry partner

• Participates mandatorily in project co-financing through financial and/or in-kind contributions in accordance with Programme rules, with a minimum co-financing share of 15% of the total requested project budget; In-kind contributions may include the provision of goods, equipment, services, labor, or other resources necessary for the successful implementation of the project.

• Actively contributes to problem identification, definition of project objectives, success criteria, and expected project outcomes;

• Contributes to the development, testing, pilot implementation, and validation of solutions in a real-world environment;

• Where relevant, provides access to infrastructure, data, technological systems, markets, or end users;

• Contributes to the analysis of market potential and models for further development or commercialisation of results;

• Participates in planning the further development and application of project results, without

acquiring the status of a beneficiary of Science Fund resources.

Where relevant, projects may include or make use of support from technology transfer offices and/or science and technology parks, in order to strengthen capacities for result exploitation.

The Programme allows participation of more than one industry partner per project, while the total contribution to the project co-financing must not be less than 15% in total. The same industry partner may participate in more than one project application.

Applicants must provide proof of co-financing and ensure that a cooperation agreement with the industry partner is signed with the SRO, including provisions on the ownership, allocation, and exploitation of intellectual property rights; the signed documents must be submitted as part of the project proposal. In the case of a non-financial contribution (in-kind financing), the document must include a specification of the resources provided, as well as an estimate of their value.

2.5. Eligibility of Applicants

Each Application received before the deadline for submission of Applications will be reviewed for eligibility, in line with the following criteria:

a) The person designated to lead a Project (hereinafter referred to as the: "**Principal Investigator**"), must also meet the following requirements:

- s/he holds a Ph.D. and has been awarded a scientific title or an equivalent title in higher education[3] at the time of Project Proposal submission, i.e. Public Call closing, as well as during the Project implementation;
- s/he has published and reviewed scientific papers and other scientific and research results, proving with her/his overall scientific work that s/he is professionally capable and qualified to conduct scientific and research work independently;
- s/he is employed, or will be employed, at an accredited Serbian science and research organization (SRO) that is designed to lead the Project.

In addition to the requirements to be met at the time of project proposal submission, the Principal Investigator shall submit information on the five most significant scientific results in the past five years, which shall, inter alia, be subject of evaluation[4].

The Principal Investigator must be employed at an SRO, with a monthly time commitment to the project of not less than 30% throughout the project duration, except in cases where the individual is serving as Principal Investigator on two ongoing projects, in which case the total minimum engagement across both projects must amount to 30% of full-time working hours for the entire duration of project implementation.

b) **Project team members** must meet the following requirements:
   - s/he has been awarded a valid title in research or science, or an equivalent title in the higher education[5] at the moment of project submission[6], as well as during his/her engagement in the Project implementation. If a Project team member loses his/her title, he/she cannot participate in the Project as a team member.

3 Research Associate, Senior Research Associate or Principal Research Fellow; or Assistant Professor, Associate Professor or Full Professor.
4 The justification of discontinuances/stays/standstills in research work relevant to the fulfilment of these conditions - for example, temporary incapacity for work, leave of absence, including maternity leave or absence from work for (special) care of a child or other person - may be taken into account in the assessment and determining the duration of the five-year period, but it must be adequately justified.
5 Junior Research Assistant, Research Assistant, Research Associate, Senior Research Associate or Principal Research Fellow; or Junior Teaching Assistant, Teaching Assistant, Teaching Assistant with Ph.D., Assistant Professor, Associate Professor or Full Professor.
6 The exemptions to this rule are new young researchers, i.e. PhD students who had never been elected as teaching staff or researchers, who don't need to have research appointments at the moment of project proposal submission but need to obtain research appointment before beginning of the project.

- s/he is employed at an accredited SRO[7].

A person may act as a member of the Project team (as a Principal Investigator or a Project Team Member) in only one Project proposal within the Call of the Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market".
The proposed project activities and all participants (including SRO, project team, industry partners, service providers and any other natural person or legal entity engaged through the proposed project) should be in accordance with the eligibility criteria for grants financed through the proceeds of the Serbia Accelerating Innovation and Growth Entrepreneurship World Bank loan[8].

2.6. Principal investigator

The Principal Investigator is obligated to manage the Project conscientiously, responsibly and in compliance with legal provisions regulating science and research, environmental protection, protection of intellectual property, personal data protection, prevention of conflict of interest and other provisions essential for the ethical and lawful implementation of Project activities.

The Principal Investigator and members of the project team are obliged to carry out the activities of the Project in accordance with the standards for environmental protection and social impact defined in the Framework Plan for the Management of Environmental Protection and Social Impact as part of the Project for the Acceleration of Innovation and Encouraging the Growth of Entrepreneurship in the Republic of Serbia (SAIGE), which supported by the World Bank ("Official Gazette of the RS" - International Agreements, No. 3/20).

A person may be the Principal Investigator for only one Project Proposal within the same Public Call for the Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market". A person may be the Principal Investigator for a maximum of two projects under different programmes of the Science Fund of the Republic of Serbia[9].

The Science Fund reserves the right to withhold funds from researchers whose applications are or appear to be intentionally misleading, for up to two years following such an occurrence.

2.7. Project Team

The project team consists of a minimum of three team members. The maximum number of Team members on a single Project is not determined, including young researchers.

A person may act as a member of the Project team in only one Project proposal within the Call of the Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market".

A person may, at any given moment, be a member of the Project Team, or the Principal Investigator and a member of the Project Team, or the Principal Investigator in a maximum of two projects under different programmes of the Science Fund of the Republic of Serbia.[10]

A full-time team member (including teaching and research, support through institutional or other funding) may not be engaged with more than an additional 30% of the full-time working hours on

7 A Team member may also be employed in an Innovation Center founded by an accredited SRO, but the Innovation Center may not be the leading institution in the Project implementation.
8 Activities and participants located in Nuts 1 region Serbia North (including two Nuts 2 regions of Vojvodina and Belgrade) and Nuts 1 region Serbia South (including two Nuts 2 regions of Sumadija / Western Serbia and South / East Serbia) are eligible.
9 Excluding special mobility and collaboration programmes (Serbian Scientific Cooperation Programme with the Diaspora: Support for Visits of Diaspora Scientists).
10 Excluding special mobility and collaboration programmes (Serbian Scientific Cooperation Programme with the Diaspora: Support for Visits of Diaspora Scientists).

projects funded by the Science Fund (including different programmes).

A team member may be employed and funded by the proposed Project up to 100% full-time, in line with their other engagements, and in compliance with the Labor Law.

A person who is currently not employed in an SRO can also be included in the proposed Project as a Team member only if the competent SRO submits a signed declaration that s/he will be employed in the SRO if the Proposal is approved for financing.

A single Project may have Team members employed in different accredited SROs in the Republic of Serbia, provided that the SRO employing the Principal Investigator is designated as the leading institution in Project implementation. The Principal Investigator may engage Team members for the entire duration of the Project or only during certain time intervals, depending on the Project needs and in accordance with the proposed budget. The Principal Investigator must be engaged on the Project throughout the whole Project duration.

If over the course of the Project implementation the Principal Investigator should need to replace a Team member or a percentage of his/her engagement on the project, the Principal Investigator shall provide the Science Fund with a justified proposal for such a change, which must be consented to by the Science Fund in writing prior to such change.

2.8. Project Duration

The Project and Project budget must be designed for a duration of up to 12 months, with total requested funding per project ranging from EUR 150,000 to EUR 300,000. If, during the course of implementation, and no later than the mid-term implementation, a Project budget requires additional funding, such additional funding will be considered on a case-by-case basis, subject to prior approval by the Strategic Programme Screening Panel and World Bank review and no-objection. The maximum amount for additional funding may be up to EUR 100,000.

The project duration may be extended by the Science Fund under exceptional circumstances (such as unforeseen delays in the implementation of the Project caused by administrative, financial, or other unavoidable procedural reasons, extraordinary circumstances due to pandemics and infectious diseases, and force majeure events) without increasing the contracted budget amount.

2.9. Trustworthy AI requirements

All Projects financed under this Programme must comply with Trustworthy AI Principles (defined above) throughout the Project lifecycle.

To facilitate this, evaluations for Applications will actively consider how the project team plans to incorporate Trustworthy AI Principles into their Project (see section 4 below).

In addition, during the eligibility check phase, Applications will be screened to ensure that they do not propose the creation or deployment of any AI systems or activities that would constitute an AI Excluded Activity (as defined above). Applications that propose (directly or indirectly) to finance the creation of an AI system or activity that would constitute an AI Excluded Activity, or directly or indirectly infringe the Trustworthy AI Principles, will not be eligible for financing under this Programme.

2.10. IP and know-how requirements

In compliance with the applicable legislation governing scientific research and innovation activities, intellectual property and know-how generated within the Project shall be regulated **in advance**, based on a mutual agreement between the participating SRO(s), researchers involved in the Project, and the

industry partner(s).

Given the collaborative nature of the Programme and the objective to support the development, validation, and further application of scientific results in cooperation with industry, applicants are required to define ex ante the ownership, allocation, protection, and exploitation of intellectual property and know-how that may arise from the Project.

As part of the application, applicants shall submit an agreement (or a binding preliminary agreement) regulating intellectual property rights. The Science Fund does not prescribe a mandatory template for this agreement; however, the agreement must clearly define the distribution of intellectual property rights between the participating SRO(s) and the industry partner(s), in accordance with their respective contributions and roles in the Project.

At a minimum, the agreement shall regulate:

- ownership and/or co-ownership of intellectual property and know-how generated within the Project;
- allocation of rights between the SRO(s) and the industry partner, including proportions or conditions for ownership, where applicable;
- rights of access to and use of background intellectual property necessary for Project implementation;
- rights and conditions for further development, exploitation, and commercialisation of Project results;
- responsibilities related to the legal protection and maintenance of intellectual property;
- allocation of rights, obligations, and potential revenues arising from the exploitation of Project results.

The submitted agreement must demonstrate that the intellectual property framework is clearly defined, balanced, and jointly agreed, and that it supports the effective implementation of the Project as well as the further application of its results.

In cases where members of the Project Team are employed by different SROs, the participating organisations and researchers shall ensure that their mutual rights and obligations related to intellectual property are regulated through a separate internal agreement or statement, submitted as part of the application.

Commercialisation and further exploitation of Project results shall be carried out in accordance with the agreed intellectual property arrangement, applicable legislation, and internal acts of the participating SRO(s).

2.11. Amount of Financing

The Project budget shall range from EUR 150,000 to a maximum of EUR 300,000 **per project**. If, during the course of implementation, and no later than the mid-term implementation, a Project budget requires additional funding, such additional funding will be considered on a case-by-case basis, subject to prior approval by the Strategic Programme Screening Panel and World Bank review and no-objection. The maximum amount for additional funding may be up to EUR 100,000. Programme Budget is defined in the Public Call document.

Applicants must ensure that industry partners contribute to project co-financing, either through financial and/or in-kind contributions, in accordance with Programme rules. The minimum co-financing share required from industry partner(s) shall be 15% of the total requested project budget.

The Overall budget includes the requested project budget and funds provided through co-financing.

2.12. Eligible Costs

The following categories of Project costs are eligible for financing under the Programme:

1) **Personnel cost**
   a. the overall personnel costs of Team members including all remuneration determined by the internal acts of the SRO, with associated taxes and contributions;
2) **Purchase costs**
   a. **Equipment and consumables cost**
      i. equipment, software, consumables and other resources necessary for the Project implementation;
      ii. unforeseen costs for equipment and consumables;
   b. **Travel costs**
      i. short-term travel by the Team members as required for Project implementation in Serbia and abroad (up to 28 days per travel)
   c. **IP and dissemination related costs**
      i. the costs of patent application and the protection of intellectual property (fees), incurred as a result of project activities, as well as the associated procedural costs
      ii. the organization of activities necessary for the presentation and implementation of project activities
3) **Services and sub-contracting costs**
   a. external services of all natural persons and legal entities, as required for research and the Project implementation - engagement of natural persons refers to individuals not employed by the SRO participating in the Project, who are essential for the implementation of Project activities. Such individuals shall be considered service providers or subcontractors, rather than Project participants.
4) **Indirect costs**
   a. reimbursement to the SRO employing the Project participants for administrative and other project-related expenses;
   b. external audit costs, that will be conducted at the end of the project implementation period;
   c. other costs, such as bank commissions, differences in currency exchange, import costs, customs duties, postage costs, etc.

In view of the specific nature of each Proposal, the Project budget distribution per category of costs defined above must reflect Project objectives and must be clearly justified in accordance with those objectives.

Services and sub-contracting costs listed in item 3) may be represented in the Project budget with no more than 20% of the total Project budget.

Indirect costs listed in item 4) are represented in the Project budget by up to 20% of the total amount of personnel costs (listed in item 1) and purchase costs (listed in item 2). Indirect costs referring to the reimbursement to the SRO, bank commissions and differences in currency exchange are not justified

when reporting, however SF reserves the right to request the relevant documentation for inspection and verification at any time during the project.

Contingences for equipment and consumables may be represented in the Project budget up to 2% of the corresponding budget category of procurement.

Reimbursement to the SRO employing the Project Team members should be allocated for administrative and other project-related expenses. The budgeting of SRO technical or support staff should be calculated based on their current salary in SRO, scaled to percentage of monthly engagement on project activities.

If more than one SRO participates in the Proposal, this category of costs should be proportionally allocated in accordance with the total requested budget from each SRO, unless PI and all participating SROs make a different agreement, which should be clarified and justified.

The maximum allowed remuneration for the Principal Investigator and Team Member depends on the title and the percentage of involvement in the Project on a monthly basis, and according to the maximum net monthly fees for participation in the project specified in the document "Amount of remuneration (earnings and fees) of researchers financed through programmes of the Science Fund of the Republic of Serbia", which was published on the website of the Science Fund (www.fondzanauku.gov.rs).

The highest allowed remuneration for a Principal Investigator/Team Member corresponds to the maximum net amount of remuneration envisaged for the title of that person, and it is scaled proportionally to the percentage of his/her monthly engagement in the Project. The Principal Investigator is entitled to an increased compensation amounting to 20% of the monthly net remuneration allocated in the Project Budget, for the purpose of carrying out activities related to project and project team management.

The engagement of team members can be budgeted with lower amounts. Also, it is possible to envisage different remunerations for persons with the same title, in accordance with the experience and skills of those persons.

The type of remuneration is determined by the SRO, in accordance with the Law and the internal acts of the SRO, but the amount of remuneration stated in the budget must include net and gross amounts.

2.13. Ineligible Costs

Costs ineligible for financing by the Science Fund include, but are not limited to the following:

- renovation and equipping of SRO premises and any type of construction or other works;
- repair, servicing or maintenance of the SRO's existing equipment, unless the equipment is required for the Project and justified in the Proposal;
- payment of interest or current debt to any party, including commitments made or undertaken during consideration of Project application, or upon approval of Project financing;
- costs of items or services that are already being financed by another programme, entity or SRO;
- costs/participation in the costs of purchase, lease, sub-lease or adaptation of land, facilities and/or other real estate, including vehicles and movable assets and equipment not designated exclusively for Project related scientific and research activities;
- costs defined by the sources of funding under the Public Call;
- scientific conferences and publications
- any of the activities listed in the World Bank Group -IFC Exclusion List, specified in Section 4.3 of this GM;
- any activities that directly or indirectly infringe Trustworthy AI Principles, or constitute AI Excluded Activities;

- disbursement of cash from the project account.

3. How to Apply and Which Procedures to Follow

3.1. Public Call

The Public Call for applications of science and research projects within the scope of the Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market" (hereinafter referred to as the: "Public Call") comprises the following:

- full name of the Programme – Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market";
- objectives of the Programme;
- duration of Projects;
- requirements to be met by the Principal Investigator and Team members;
- total budget available for implementation of the Programme under the Public Call;
- project budget and co-financing requirements;
- permitted categories of costs to be financed by the Science Fund;
- method of submission of Proposals;
- deadline for the submission of Proposals;
- list of required documentation to be submitted with a duly completed Proposal application;
- the manner and criteria for evaluation of Proposal;
- expected duration of the process of evaluation of Proposals;
- reporting requirements;
- other information relevant to Programme implementation.

The Public Call shall be published on the website of the Science Fund (*www.fondzanauku.gov.rs*).

3.2. Public Call Application

Application to the Public Call is submitted exclusively in electronic form, along with the documentation stipulated in the Public Call and in accordance with the instructions for implementation of the Public Call (hereinafter referred to as the: "Instructions") published on the website of the Science Fund.

The application to Public Call consists of two rounds:

- Round 1 – Short project proposal with accompanying documentation
- Round 2 – Full project proposal

For each Round of application the Project Proposal documentation must be complete and include all the required annexes, and it must be prepared in line with the Instructions; otherwise, the Proposal shall be excluded from further evaluation.

The Proposal is submitted by the prospective Principal Investigator, subject to the prior consent of the scientific research organization in which PI is employed.

A person who is not engaged as the Principal Investigator in response to the Public Call may be listed as a Team member **in only one Project within the scope of the same Public Call.**

A single SRO may apply with an unlimited number of Proposals in a Public Call.

The required elements of a Proposal are as follows:

Round 1

- Project title, acronym, field of science (primary, secondary and tertiary), abstract and keywords (in English);
- Information on the Principal Investigator, Team members, participating SROs, industry partners;
- Short Description of the Project Proposal (SF template, in English);
- Proof of co-financing confirming the commitment of the industry partner to participate in the project financing (e.g. memorandum of cooperation, partnership agreement, declarations, or equivalent documents).

Round 2

- Project title, acronym, field of science (primary, secondary and tertiary), abstract and keywords (in English);
- Information on the Principal Investigator, Team members, participating SROs, industry partners;
- Project Description A and B (SF template, in English);
- Overall Budget (SF template, in English);
- Gantt chart (SF template, in English);
- Ethics Approval (if applicable to Project Proposal);
- License to conduct medical research, as relevant for entities doing this kind of work, in line with adequate provisions of Animal Welfare Law issued by the Ministry of Agriculture, forestry and water management, Veterinarian Directorate (if applicable to Project Proposal);
- Written statement made under material and criminal responsibility that the Applicant will comply with all the provisions of Law on labor and protection at work;
- Horizon Europe Ethics Issues Questionnaire (SF template, in English);
- AI Risk Assessment Questionnaire (SF template, in English);
- Written statement that the Applicant will comply with Trustworthy AI Principles throughout the lifecycle of the Project, and affirming that no AI Excluded Activities are contemplated under the Project;
- the Environmental and Social Impact Screening Questionnaire (ESSQ) (SF template, in English);
- Annexes (declarations of the SROs, joint statement of all project participants, proof of research or academic titles for the PI and all the Team Members, and proof of fulfillment of Programme conditions for the PI, in Serbian or English, completed in line with the Instructions and the template provided in the documentation);
- Agreement regulating the ownership of intellectual property. The template of the agreement is not defined by the Science Fund; however, it must include provisions governing the mutual regulation of rights and obligations related to the legal protection and exploitation of intellectual property between the SRO, researchers, and the industry partner.
- A declaration of compliance with the eligibility requirements for industry partner(s), prepared in accordance with the Instructions and the template provided in the documentation.

3.3. Administrative and Eligibility Check

Both Short and Full Project Proposals, including the specified supporting documentation, shall undergo an administrative and eligibility check, which includes a review of the submitted application documentation in order to:

- establish the timeliness of the submitted Proposal against the deadline stipulated in the Public Call;
- establish that the Proposal is administratively accurate and complete, including all annexes, confirmations and signatures;

- confirm that the Proposal fulfils the general conditions defined in the Public Call within the Programme, including formal fulfillment of criteria for the Principal Investigator, members of the Team and the SROs and industry partners;
- confirm that the Proposal fulfils the eligibility criteria specified in Section 2.4. and 2.8 of this GM. The administrative and eligibility check is performed by persons employed by the Science Fund. A Proposal that passes the administrative check shall qualify for the evaluation process.

The Science Fund may request clarifications or additional information from applicants if deemed necessary for completing the administrative check. If a Proposal fails the administrative check, the Science Fund shall exclude it from further evaluation and notify the applicant of the reasons for rejection of the Proposal.

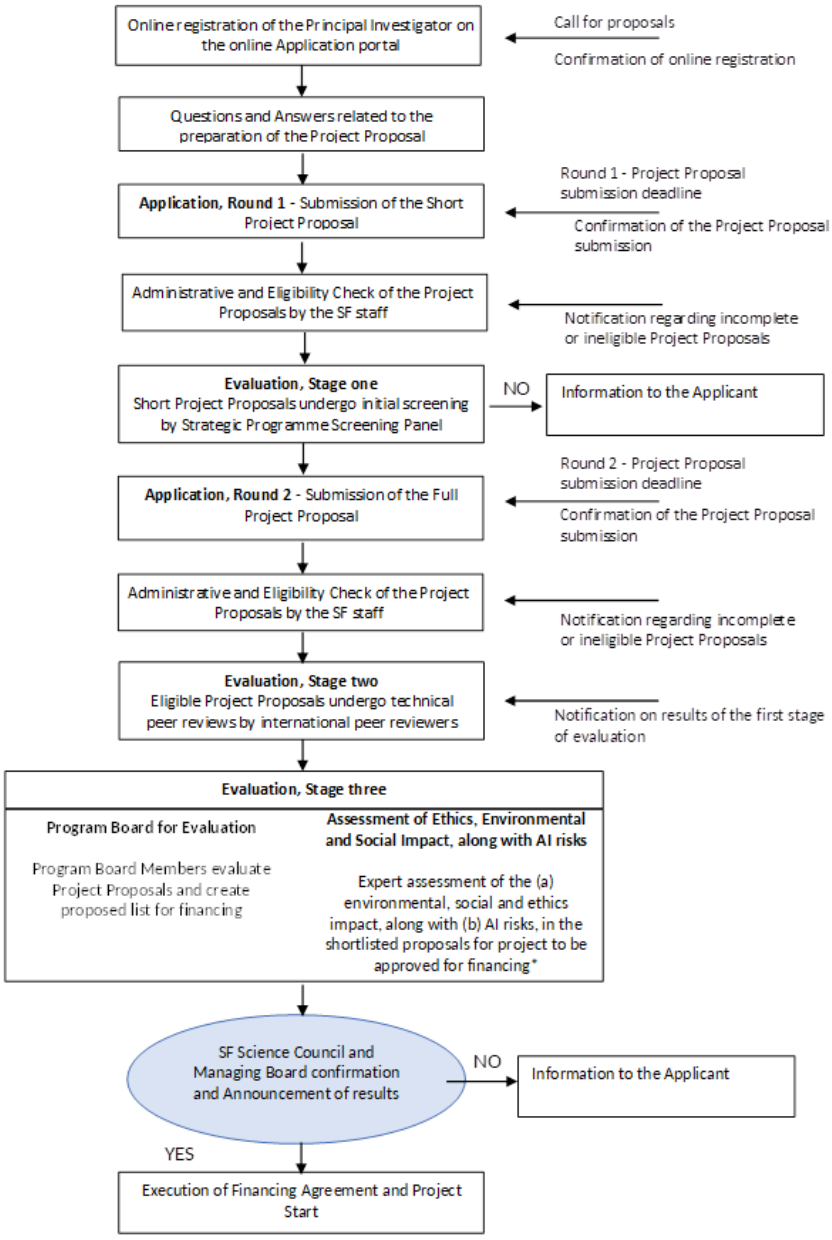
3.4. Process Flow and Timeline

The application process is structured in the following manner:

1. Online registration of the Applicant
2. Applicant's creation of a new project by following the Instructions for Application to the Public Call published on the website of the Science Fund
3. Round 1 of application – Uploading Short project proposal with accompanying documentation followed by Administrative and eligibility check by the Science Fund staff including rectifying of data if necessary
4. Stage one evaluation - Initial screening of submitted proposals and assessment if the project addresses the objectives of the call and aligns with national strategic priorities, performed by Strategic Programme Screening Panel
5. Round 2 of application - Uploading the Full project proposal and final submission of Project Proposal Administrative and eligibility check of the Full Proposal by the Science Fund staff including rectifying of data if necessary
6. Stage two evaluation – Evaluation of Full project proposal and assessment of the scientific excellence, methodological soundness, feasibility and competence of the research team, performed by independent peer reviewers (2 – 3 reviewers per Proposal)
7. Stage three of evaluation
8. Comparative evaluation of proposals and assessment of integration of scientific excellence with strategic relevance and programme considerations, performed by the Programme Board / Scientific or Governing Board of the Programme
9. Pre-selection by the Programme Board
    a) Ethical review for pre-selected Applicants
    b) AI risk review for pre-selected Applicants
    c) Environmental and social review for pre-selected Applicants
    d) Final List on financing by the Programme Board
    e) Endorsement of Programme Board recommended list of projects by SF's Science Council and Managing Board
10. Signing of the Financing Agreement and beginning of project implementation

3.5. Application Procedure and Timeframe

Figure 1 Application and Evaluation Procedure



*If applicable, procedure requires submission and review of Environmental Management Plan (ESMP) or ESMP CL, and other relevant documents. The outcome of this procedure may impact final decision or start of the project implementation.

4. EVALUATION OF SUBMITTED PROPOSALS

Project proposals shall undergo a three stage evaluation process.
In stage one of the Evaluation Strategic Programme Screening Panel initially screens Short Project

proposals in order to assess whether the project addresses the objectives of the call and aligns with national strategic priorities, and whether it is thematically relevant for further evaluation. Applicants whose Short project proposals pass the Stage one of evaluation submit a Full project proposal, which undergoes an Administrative and Eligibility Check as described in section 3.3 of this document.

In stage two of the Evaluation, independent peer reviewers (hereinafter referred to as the: "Reviewer") evaluate the Full Project Proposals which have fulfilled the criteria of the Administrative and Eligibility Check. The ranking list of Proposals is compiled based on the decreasing number of points awarded by the Reviewers to those Proposals, and based on it, the Preliminary list of project proposals is formed.

In stage three of the Evaluation, the preliminary shortlist of Proposals is created, based on the scores awarded to the Proposals by the Reviewers. The Program Board for Project Evaluation (hereinafter referred to as the: "Program Board") evaluates the Proposals from the Preliminary list and creates the Proposal of the final list .

Evaluation of the Proposals is performed in line with the procedure defined by relevant acts of the Science Fund and according to the criteria defined in the Program.

Strategic Programme Screening Panel

Expert body consisting of domestic and/or experts from Serbian diaspora, selected through the public call, by the Committee established by SFRS, with expertise covering topics relevant to this Call: Artificial Intelligence, Food for the Future; Information and Communication Technologies; Machines and Manufacturing Processes of the Future; Creative Industries.

Reviewers

Reviewers are international experts, with internationally recognized professional careers. The Reviewers are selected according to the principle of having individual expertise that corresponds to the scientific field of the proposed Project, mainly based on the keywords stated in the Proposal. Selection of Reviewers is done through the procedure regulated by the relevant acts of the Science Fund.

Programme Board

The Programme Board members (hereinafter referred to as: Programme Board) are international experts with internationally recognized professional careers from the topics relevant to this Call: Artificial Intelligence, Food for the Future; Information and Communication Technologies; Machines and Manufacturing Processes of the Future; Creative Industries.

The selection of Program Board members is done on a competitive basis through the procedure regulated by relevant acts of the Science Fund; selection is subject to No objection by the World Bank.

Evaluation of the Proposals is performed in line with the procedure defined by relevant acts of the Science Fund and according to the criteria defined in the Programme.

4.1. Evaluation Criteria and Procedure

During the course of the evaluation, the Proposals are scored both numerically and descriptively, in line with the relevant templates available in the Programme documentation on the website of the Science Fund. The Evaluation criteria are:

- **Excellence** – quality, relevance, and contemporary significance of the proposed topic in relation to the Program objectives, priority domains, and horizontal pillars, scientific merit, innovativeness, rationality of objectives, importance of the research, applicability of the results and future prospects of the proposed research, , assessment of competence of the Principal

Investigator and other members of the Team; maximum 30 points in evaluation process.

- **Impact** – contribution to science, economy and society in the Republic of Serbia, impact of scientific research on economy, society, climate change, environment, health care, education and other aspects of social development at the national and international level, efficacy of the proposed measures for Project promotion and visibility, and application of the Project results, assessment whether the proposed research identifies potential stakeholders and beneficiaries who will be impacted by the Project; maximum 35 points in evaluation process.
- **Implementation** – rationality of the implementation plan, possible risks and mitigation measures, budget rationality and balance, assessment of the defined roles of project team members and industry partners, as well as the complementarity of their expertise with the project topic; maximum 35 points in evaluation process.

Table 1. Criteria for the evaluation of Projects; the maximum (and minimum) number of points

Criterion	Stage Two Points
Excellence	**30** (min. 18)
Impact	**35** (min. 21)
Implementation	**35** (min. 21)
Total	**100** (min. **70**)

Stage one

In stage one a strategic and thematic screening of each Short project proposal that has fulfilled the criteria of the Administrative and eligibility check , by the Strategic Programme Screening Panel.
Within this stage, Short Project Proposals are initially screened in order to determine whether the Proposal addresses the objectives of the call and aligns with national strategic priorities, and whether it is thematically relevant for further evaluation. The Proposals are assessed in accordance with the following criteria:

- Alignment with national strategic priorities and call objectives;
- Relevance of the proposed topic within the programme scope;
- Maturity of the lab to market initiative – innovation and industry potential of the proposed research;
- Clarity of objectives, problem definition and expected contribution;
- Capacity of the project consortium to implement the proposed project;
- Basic thematic and programme eligibility.

There is no in-depth scientific evaluation within this stage.
Strategic Programme Screening Panel compiles the list of project proposals proceeding to the next stage of evaluation. Applicants whose Short Project Proposals fulfill stated requirements are invited to submit the Full Project proposal for further evaluation.

Upon completion of stage one of the Evaluation, each Principal Investigator shall receive a notification on the outcome.

Stage two

In stage two of the Evaluation, each Full project proposal that has fulfilled the criteria of the Administrative and eligibility check is evaluated by two independent Reviewers.

A Reviewer scores each question with a numerical value (awarding between 1 and 5 points) and descriptively. The Reviewer also provides an explicit recommendation confirming or withholding his/her support for the Proposal. The maximum score that can be awarded by a Reviewer is 100 points,

in line with the criteria specified above. (Table 1).

Upon completion of the reviews, they are summarized, and the average scores of the reviews are calculated for each criterion, as well as the overall average score. In the situation when there is a discrepancy of more than 20 points in the overall score between individual reviews, the reviewers are invited to consider their evaluation once again through the consensus procedure.

The consensus procedure is initiated by making all submitted reviews available to reviewers for comparative analysis of the reviewers' point of view and difference in opinions. As a result, the reviewers may change their scores and/or narrative and resubmit evaluation or they can decide not to change their initial evaluation and provide justification.

If consensus is not reached, the Science Fund will request an additional independent review of the Project Proposal. After obtaining the additional review, the one score which represents the outlier is discarded, and the final score after this stage of evaluation is calculated as the average score of the two remaining reviews. If the overall score of the additional independent review is equally different from the overall scores of the initial reviews, the two reviews more favorable to the project are taken into account for calculation of the final score after the first stage of evaluation.

In order to pass the evaluation by the Reviewers, the average scores of the reviews calculated for each criterion, as well as the overall average score must be greater than the corresponding minimum numbers specified in Table 1.

Upon completion of stage two of the Evaluation, each Principal Investigator shall receive a notification on the outcome.

Stage three

Prior to stage three of the Evaluation, a preliminary shortlist is created based on the Proposals, ranked by the descending order based on average score of the Reviewers after stage two of Evaluation, considering only the Proposals that have satisfied the specified criteria, and whose total proposed budgets aggregately do not exceed the double budget of the Programme. Exceptionally, if two or more Proposals have obtained the same total score on the preliminary shortlist and their inclusion would result in exceeding double budget of the Programme, all Proposals with the same total score shall be invited to the third stage of evaluation, notwithstanding the cumulative total proposed budgets aggregately exceeding that limit of the double budget of the Programme.

In the stage three of evaluation, the proposals from the preliminary ranking list are evaluated, by the Program board. The quality of the project is assessed according to the criteria of scientific excellence, impact and implementation, taking into account the goals and conditions of the program. Projects are initially classified into three groups based on the position on the preliminary ranking list, created in the first stage of evaluation: 1) group I - highest ranked Project proposals (30% of the highest ranked Project proposals); group II - medium ranked Project Proposals (next 40% of Project Proposals); group III - lowest ranked Project Proposals (last 30% of Preliminary Ranking Project Proposals).

Each project from the preliminary ranking list is assigned to one member of the relevant panel who becomes the Rapporteur for that project. The Rapporteurs review the project proposals and the results of the stage two of evaluation, and in accordance with that, report to the members of the Program Board.

If the Rapporteur and the members of the panel have no objections to the Project Proposals from Group I, nor to the results or content of the assessment from the stage two of evaluation, the Proposals from Group I are proposed for funding in the current order. If the Rapporteur deems that a project proposal from group I has important shortcomings or that there are inconsistencies in the results of the stage two of evaluation, he/she will inform the members of the panel, i.e. Program Board and propose a more detailed analysis and discussion on this Project Proposal. If necessary, it is possible to consult the reviewers of the Project Proposal for clarification. The Rapporteur can nominate projects from group I for this type of quality control and more detailed discussion. The result of this

additional quality control of the project may be a confirmation of the quality, after which the project is kept in the same order for funding as in the Preliminary ranking list , or a justified decision on a new result of the evaluation and ranking after the second stage of evaluation.

If the Rapporteur or members of the panel, i.e. The Program Board have no objections to the evaluations of the Project Proposals from Group III, nor to the results or content of the assessment from the stage two of evaluation. Proposals from Group III are not proposed for funding. If the Rapporteur considers that the Project Proposal from Group III has important qualities, or that there are inconsistencies or oversights in the results of the stage two of evaluation, he/she will inform the members of the panel, i.e. Program Board and propose a more detailed analysis and discussion on this Project Proposal. If necessary, it is possible to consult the reviewers of the Project Proposal for clarification. As a rule, the Rapporteur may nominate projects from the Group III for this type of quality control and more detailed discussion. The result of this additional quality control of the project may be a confirmation of the same order for funding as in the Preliminary ranking list and a decision on non-financing, or a justified decision on a new result and ranking after the stage three of evaluation.

The focus of the Program Board analysis is on all Group II projects, which are analyzed and discussed in detail during the work of the Program Board. After a detailed analysis and discussion of all projects from Group II and projects from Groups I and III nominated for detailed analysis and discussion, all project proposals that are subject to evaluation in the stage three are ranked and decision is made on projects that will be supported for funding.

The Program Board may request from the Principal Investigator a rebalance of the proposed Project budget adjustment as a whole or in individual items based on stages two and three of evaluation. The Program Board may also request from the PI to correct and/or clarify the key points of the Proposal, or another type of modification of the Project Proposal with all relevant elements.

Final Decision and Financing Agreements

At the end of the work of the Program Board, based on the results of the stage three of evaluation, as well as expert analyses of Trustworthy AI risks, ethics, environmental and social impact, Project proposals are ranked and classified according to project quality and project budgets into categories A, AB, B, C and D by the Program Board.

Table 2 - Results of the second stage of evaluation

Project score (category)	Description*
A	Project proposals that are ranked the highest after the second stage of evaluation in the total amount of 20% of the Program budget, and which are **supported for funding**,
AB	Project proposals that are next ranked after the second stage of evaluation in the total amount of 40% of the Program budget, and which are **supported for funding**,
B	Project proposals that are next ranked after the second stage of evaluation in the total remaining amount of 40% of the Program budget, and which are **supported for funding**,
C	Project proposals that are ranked below the program budget limit after the second stage of evaluation, and that are **not supported for funding,**

D	Projects for which a deficiency or irregularity has been identified due to which they can in no way be supported for funding.

** In the case that the budget that determines the line between two categories does not include the entire number of projects, the classification of projects into categories is done by rounding up to the full number of projects, taking into consideration that the total amount of the budgets of projects from categories A, AB and B cannot exceed the available budget.*

The total required budget for all Projects approved for funding cannot exceed the Program budget defined by the Public Call.

In accordance with the rules from Table 2, the Program Board forms the Proposal of the final ranking list of projects proposed for funding under the Public Call on the basis of this Program and submits it to the Scientific Council of the Science Fund.

The Scientific Council considers the Report of the Program Board and submitted Proposal of the final ranking list and together with its opinion on procedural correctness, submits to the Managing Board of the Science Fund the Proposal of the final ranking list of projects proposed for funding under the Public Call under this Program.

Based on the Proposal of the final ranking list and the opinion of the Scientific Council of the Science Fund from the previous article of this Act, the Managing Board of the Science Fund makes the decision to adopt the Final list of projects approved for funding with the resources of the Science Fund under the Public Call under this Program, as well as the amount of funds allocated to each Project for which the funding has been approved.

Once the Managing Board of the Science Fund has made its decision, the final list of Proposals approved for financing in the Program shall be posted on the website of the Science Fund, and the Principal Investigators shall receive notification on the outcome of the stage three of Evaluation and decision by the Managing Board. Proposals that have been approved for funding shall sign financing agreements with the Science Fund.

4.2. Grievance Redress Mechanism

Applicants within the Programme have the right to file an evidence-based complaint on the outcome of:

a. the administrative check (invoking evident procedural omissions, oversights or errors made by the Science Fund);
b. the evaluation procedure (invoking evident procedural omissions, oversights or errors made during the evaluation process);

The appeal shall be submitted in writing, with a 500-word limit, within 5 business days upon the date of receiving the notification about the outcome of the evaluation from the Science Fund. The content of the appeal must be limited to clarification of data already existing in the Proposal, and may in no way modify the content of the proposed Project. The Science Fund shall provide an acknowledgment of receipt of appeal within 3 business days upon the date of receipt. An official response to the objection will be provided within 30 calendar days upon the date of receipt. The written appeal shall be submitted by email at: lab2market@fondzanauku.gov.rs.

All appeals will be documented in a central grievance log with relevant information (date of receipt, name or email of the sender, background for the appeal, date of response and answer provided).

In addition, all researchers may contact the Science Fund with their questions, suggestions or objections by e-mail at any time: misljenje@fondzanauku.gov.rs .

4.3. AI Risk review

Taking into account that there is currently no AI-specific legislation and no other binding instrument applicable to safeguarding AI activities in Serbia, all AI-related activities under the Programme will be subject to the risk assessment framework set out in the Project Operations Manual of the SAIGE Additional Financing Project (as summarized below).

Step 1. Applicant prepares necessary documentation

The Applicant is responsible for preparing the AI Risk Assessment Questionnaire and written declaration using the information and templates provided by the Science Fund (see section 3.2. Public Call Application).

Step 2. Science Fund performs screening

The AI specialist, in consultation with the Science Fund Programme Board, evaluates the project proposal based on the AI Risk Assessment Questionnaire and other related statements. The AI specialist categorizes each project proposal into one of the below AI Risk categories:

Category	Risk Level	Decision and requirements
1	**Low risk** project (with negligible impacts on Trustworthy AI Principles)	**Eligible** for financing, provided that: 1) No AI Excluded Activities will be conducted at any point in Project lifecycle 2) If Personal Data (as defined in the Loan Agreement and POM) is processed, the Applicant will conduct a data protection impact assessment and comply with applicable data protection laws 3) Trustworthy AI Principles are complied with throughout the Project lifecycle 4) Risk ratings are re-assessed at yearly intervals
2	**Moderate risk** project (with impacts on Trustworthy AI Principles that can be easily identified and for proportionate preventive and/or corrective measures can be prescribed without an AI impact assessment)	**Eligible** for financing, provided that: 1) All the above requirements for a Low risk project are met, and 2) An approved risk mitigation and monitoring plan is created using the [template / process] provided by the Science Fund.
3	**High risk** project (where one or more of the project activities relates to a High Risk AI System, as defined above).	**Eligible** for financing, provided that: 1.4.1 All the above requirements for a Low and Moderate risk project are met, and 2.4.1 Detailed AI impact assessment conducted before implementation 3.4.1 Project is subject to mandatory 3rd party audits

Category	Risk Level	Decision and requirements
4	**Excluded risk** project (where one or more of the project activities constitutes an AI Excluded Activity).	**NOT eligible** for financing.

The above requirements applicable to each risk level will be reflected in the grant agreement signed by each Applicant.

Step 3. Applicant prepares mitigation measures (if needed)

If the project is assessed as Moderate or High-risk, Applicants will be required to prepare a risk mitigation and monitoring plan, using a pre-approved [template / process] that will be provided by the Science Fund. All mitigation and monitoring plans must be approved by the AI specialist, in consultation with the Science Fund Programme Board as needed. A number of Key performance indicators (KPIs) are established by the AI risk specialist before implementation as part of the mitigation and monitoring plan.

For High-risk projects only, a detailed AI impact assessment will be undertaken by the Applicants, using a template provided by the Science Fund and AI specialist, with risks identified to be addressed through the risk mitigation and monitoring plan.

Step 4. Project approval and Monitoring

The Science Fund, in consultation with the AI specialist, is responsible for the review and approval of all relevant documentation mentioned above, following the World Bank procedures.

During this final step, ongoing compliance with the mitigation plan and further risk management will be conducted. Key performance indicators (KPIs) established in the previous phase will be used by the AI specialist to monitor the AI system's performance during implementation. In cases of non-compliance, corrective actions may be imposed, ranging from enhanced oversight to finding adjustments or project termination.

The risk rating of each individual grant will be re-assessed on a yearly basis by the AI specialist.

4.4. Environmental and Social Impact

The management of environmental and social risks and impacts related to Science for Industry Program - AI Application in Industry through Scientific Partnership– "From Lab to Market" activities under SAIGE will be carried out in accordance with the World Bank Environmental and Social Management Framework (ESMF), effective October 1, 2018, updated in March 2023,in June 2024, and last updated in April 2026. The ESMF is part of the Science for Industry Program - AI Application in Industry though Scientific Partnership– "From Lab to Market" documentation and available at this link. The scope and timing of ESMF requirements will be appropriate to the nature and scale of the individual projects and their potential environmental and social risks and impacts. The SAIGE project is classified as Substantial Risk taking in account impacts and nature of the interventions, the experience of the implementing agencies in managing similar activities, the application of new and energy efficient technologies and the presence of sensitive research areas.

During preparation of the SAIGE Project, a Stakeholder Engagement Plan (SEP) has been prepared, while the additional commitments required by the ESMF are included in the Environmental and Social Commitment Plan (ESCP) which is part of the Loan Agreement.

Throughout the implementation of the SAIGE project, the Science Fund will be improving Grievance Mechanism and Ethics Appraisal Procedure in line with the recommendations and practices of the European Commission and EU research funds, as well as raise public awareness of research ethics and

procedures through public media.

In terms of monitoring of ethical issues during project implementation, with the support of SAIGE project, the SF developed an Ethics Act which outlines the procedures applicable to all RDIs in the country. The Ethics Act (in the form of a bylaw) was adopted by the Managing Board of the Science Fund on 10 December 2021, and made public on SF website. The Ethics Act is harmonized with the national and EU legal framework.

4.4.1. Environmental and Social Screening Process (Step-by-Step)

Step 1. Applicant prepares necessary documentation

Applicant is responsible for preparation of the required documentation and confirmation in accordance with the information and templates provided by the Science Fund (see section 3.2. Public Call Application).

Submitted documentation should confirm that all permits necessary for the proposed projects have been obtained from responsible authorities as prescribed by appropriate local legislation and in line with the World Bank procedures.

Step 2. Science Fund performs screening

The Science Fund Programme Board evaluates the project proposal based on the Environmental and Social Screening Questionnaire, Ethics Approval, HORIZON EUROPE Ethics Issue Questionnaire and other related statements.

The project proposals shall be categorized as follows based on the ES and Ethics Screening lead to determination of project category:

Category	Risk Level	Decision and requirements
1	**Low risk** project (with negligible environmental, social and ethic impacts for which an environmental impact assessment is not necessary)	**Eligible** for financing. No additional environmental and social assessment necessary
2	**Moderate risk** project (with impacts that can be easily identified and for which standard preventive and/or corrective measures can be prescribed without an environmental, social and ethic impact assessment	**Eligible** for financing. It is necessary for Applicant to develop ESMP CL. No required public consultation on the subject matter.
3	**Substantial risk** project (with potential and very significant or irrevocable environmental and social impacts, whose size is difficult to determine in the project identification phase)	**Eligible** for financing. Applicant is required to obtain Opinion from the competent authority responsible for environmental protection (in accordance with the Law on EIA and Decree on establishing the List of Projects for which the Impact Assessment is mandatory ("Official Gazette of RS" No. 114/08), In case the EIA is not required, the project is eligible for financing. It is necessary for the Applicant to develop the ESMP that would require public consultations.

Category	Risk Level	Decision and requirements
		In the case that EIA is required, the project is not eligible for financing. THE PROJECT IS EXCLUDED.
4	**High risk** project (or enterprises involved in manufacturing or use of hazardous or illegal substances).	**Not eligible** for financing. **THE PROJECT IS EXCLUDED**

Category 3 (if the EIA is required) and 4 sub-projects shall not be eligible for financing.

For categorization purpose, the Science Fund shall identify if the potential Applicant is engaged in manufacturing certain forbidden products/material or in forbidden activities as specified in the Project/ Activities Exclusion List (Annex 01: Annex 01 A and Annex 01B of the ESMF). Each existing project which would involve such activities or products shall be considered Category 4 and ineligible for financing under the Programme.

Step 3. Applicant prepares ESMP

If the project is assessed with moderate or substantial environmental and social risk, Applicant shall be responsible to prepare an ESMP CL or ESMP. The guidance on the content of the ESMP and ESMP Checklist is provided in the ESMF available online link. The ESMF specifies environmental and social procedures for implemented projects to adhere to, which are consistent Serbian national legislation.

Unless the Applicant prepares ESMP or ESMP Checklist, the project would not be eligible for financing.

For all projects that would require an ESMP should be organized local public consultations. For that purpose, it is necessary to disclose in advance the ESMP document (at least for a week) in on the Applicant's website. Placing notification in the local media is not necessary unless required by PIU During the consultations, the subproject applicants will register all comments and suggestions on improving the ESMP documents and will prepare relevant reports to be included in the final version of the ESMP document. Public consultations can be organized virtually depending on pandemic or other global crises receiving relevant questions/proposals on-line and taking them into consideration while finalizing the ESMPs.

Applicants shall be responsible for site-specific ESMPs and ESMP Checklist implementation of which shall be supervised and monitored by the Science Fund.

Step 4. Project approval and Monitoring

The Science Fund is responsible for the review and approval of environmental documentation. For projects subject to ESMP or ESMP Checklist as a result of limited and site-specific impacts, ESMP/ ESMP Checklist shall be approved by the Science Fund and included in the financing agreement with the Science Fund.

The results of the screening may constitute the following: 1. Approved without additional requirements. 2. Approved with obligatory application of ESMP Checklist. 3. Approved with obligatory application of ESMP. 4. Not approved.

The awardees are obliged to comply with the requirements specified in the ESMP/ ESMP Checklist which will be part of the financing agreement, including monitoring of projects in line with the monitoring plan in the ESMP. The awardees would be required to invest all efforts to ensure project implementation in an environmentally and socially acceptable manner.

In terms of monitoring of ethical issues during project implementation, the Science Fund will apply the procedures stipulated by the Ethics Act. The Science Fund will monitor the formal compliance of the ethical procedures (existence of approvals, etc.), and an ethics expert will be engaged for annual and final ethics assessment (in line with Horizon Europe procedures). On-site or online monitoring

visits will also be organized for projects with ethical issues.

In case of substantial breach of ethical principles, research integrity or relevant legislation, the Science Fund can carry out an Ethics Audit following the provisions and procedures laid down in the grant agreement.

4.4.2. Exclusion List of Project / Activities

Each project which falls under list 01A of the ESMF[11] will not be eligible for financing through the proceeds of the Serbia Accelerating Innovation and Growth Entrepreneurship World Bank loan.

The World Bank Group (IFC) Exclusion List defines the types of projects that IFC does not finance. IFC does not finance the following projects:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions[12].
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.

A reasonableness test will be applied when the activities of the project would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

All financial intermediaries (FIs), except those engaged in activities specified below*, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor[13]/harmful child labor[14].
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

* When investing in **microfinance** activities, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

[11] https://fondzanauku.gov.rs/wp-content/uploads/2026/04/1.-AF-SAIGE-ESMF-Updated-April-26.pdf

[12] This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

[13] Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

[14] Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

5. PROJECT IMPLEMENTATION AND MONITORING

5.1. General Implementation Principles

The Awardee is required to carry out the project diligently, timely and efficiently in accordance with the terms of Science for Industry Program - AI Application in Industry through Scientific Partnership– "From Lab to Market" and the Financing Agreement and with sound technical, economic, financial, managerial, environmental, social and ethical standards and practices. The Awardee is required to maintain adequate policies, procedures and records to enable the SF (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, in addition to following the AI Risk management framework, is required to carry out the project in accordance with the provisions of the ESMF and ESMP or ESMP CL and (where applicable) and to take in a timely manner all measures to enable the SF to monitor the provisions of the ESMP or ESMP CL.

The Awardee is required to implement the project in accordance with the signed Financing Agreement and the Application which represents one of the annexes of the Financing Agreement. Any significant deviation from the Application (e.g. project is not on schedule for completion within timeframes defined in the Application, proposed milestones are not achieved) requires prior written consent of the SF. The SF will examine the possible deviations respecting the content, quality and ranking of the project at the time it was approved for financing and deviations that receive the consent will not influence or alter the mentioned elements.

Any expenditures covered from the Project funds may not be incurred before the start of the Project.

5.2. Payments and Disbursement of Project Funds

The Science Fund shall disburse the funds to the SRO in compliance with the approved Project budget and the signed Contract. The payments will be performed in accordance with the Payment Schedule that is part of the Contract.

Equipment and consumables shall be purchased at the beginning of the project implementation. The first payment shall be provided in advance in the amount of 50% of the total approved budget, within 45 days upon Contract signing. The second payment, amounting to the remaining 50% of the total approved budget, shall be disbursed upon submission of the six-monthly progress update information. SF keeps the right to retain up to 5% of the total project budget until the Final Report is adopted by the Science Fund. In that case, the final payment is paid within 30 days following the adoption of the Final Report.

The Principal Investigator shall provide the Science Fund with one six-monthly progress update information, prepared on the Science Fund's templates, and with the Project Final Report following the end of Project implementation. The Science Fund shall inspect complete administrative and financial documentation of a certain number of randomly selected projects for each reporting period. The number of randomly selected projects for each reporting period shall, as a rule, include no less than 10% of approved projects.

The Principal Investigator must provide relevant information and documents for the external audit of the Project if requested so by the Science Fund. The Principal Investigator and the SRO shall ensure that funds are utilized in compliance with the law and contracted conditions and obligations. The SRO shall disburse funds to third parties in accordance with the Project activities.

All disbursements shall be made in Serbian Dinars (RSD), at the official average exchange of the National Bank of Serbia on the date of disbursement, to a separate bank account of the SRO (or a

separate portion of the bank account) earmarked solely for purposes of the Project within this Programme.

5.3. Procurement

Procurement of goods and services required for the implementation of a Project, whose financing has been approved under the Programme, are conducted in compliance with the applicable law of the Republic of Serbia - Law on public procurement ("Official Gazette of the Republic of Serbia" No. 91/2019) and the Contract on Financing the Implementation of a Science and Research Project of the Science Fund of the Republic of Serbia (hereinafter referred to as the: "Contract"), which the Science Fund shall conclude with the Project participants, in accordance with the Contract template that forms an integral part of this GM.
As a rule, Beneficiary awards contracts in open or restricted procedures, and may also award contract in other public procurement procedures (such as competitive procedure with negotiations, competitive dialogue, innovation partnership, and negotiated procedure with publication of the contract notice). All beneficiaries from the list of approved projects will specify the procurement procedure to be used. Contract awards for all projects will be published on SF website. The Science Fund is required to keep documentation related to all projects approved and procured under the Grant.

Procurement Principles

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

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

The Awardee shall keep sufficient and appropriate documentation with regard to the procedures applied and which justify the decision on the pre-selection of tenderers (where an open tender

procedure is not used) and the award decision.

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

Supplies may originate from any country.

SF will conduct **a sample desk-check** of conducted procurements on a semi-annual and annual basis. In addition, activities under the Grant may be subject to post review by the Bank's Procurement Specialist.

5.4. Monitoring and Evaluation during Project Implementation

Science Fund shall regularly supervise and monitor Project implementation through review of the submitted reports, monitoring visits to the Project site/Team members should the Science Fund find such visits necessary, and direct monitoring of individual Project activities, as well as through review of the Final Report on the Project results. Should it be determined that the Project funds have been used unjustifiably, the Fund shall request reimbursement of funds and consider suspension of further Project implementation and financing, and other appropriate actions as deemed fit by the Science Fund.

Project monitoring is regulated by the relevant acts of the Science Fund and the law. SF will periodically organize a review of the expenditure of funds during the implementation of projects, in line with the

acts of the Fund.

As needed, the implementation and target-oriented utilization of funds in line with the approved Project budget may also be subject to ad-hoc evaluation at the behest of the Science Fund, or upon a justified request of the SRO or the Principal Investigator.

For the purposes of evaluation, the Principal Investigator communicates the Project results in a relevant report.

Project evaluation entails a comparison between the proposed and achieved objectives of the research, the accomplished scientific results, the assessment of utilization of funds and other relevant indicators. If during the course of the evaluation it is established that the Project implementation has not been fully compliant with the Proposal, the Science Fund shall notify the Programme Board for Programme Preparation, Monitoring and Evaluation, which in turn may propose to the Managing Board of the Science Fund to decrease the contracted budget or to suspend Project financing altogether, which may also include initiation of a procedure for reimbursement of funds spent wrongfully or illicitly or any further action as appropriate. The final decision on decrease of the Project budget, suspension of financing and/or initiation of the procedure for reimbursement of the received funds shall be made by the Managing Board of the Science Fund, while the execution of such a decision is overseen by the Director of the Science Fund, pursuant to Article 15, paragraph 1, item 5) of the Law.

For the purposes of the Programme monitoring and evaluation, the Science Fund may perform independent analysis of beneficiaries during the implementation of the Project, as well as at the end of the Programme's implementation, based on clearly defined milestones and results. In order to accomplish this goal, the beneficiaries shall provide the Science Fund with all the necessary information and documentation as well access to relevant sites and facilities.

The Science Fund shall submit a relevant report to the Ministry and other stakeholders on the results of the monitoring and evaluation specified above.

5.5. Master File

At the beginning of the Project implementation period, the Awardee should create a **Master File**. This Master File should include the following documentation:

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

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

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

6. PROMOTION AND VISIBILITY OF PROJECT RESULTS

The Principal Investigator is obligated to ensure promotion of the Project and visibility of the Project results that are not confidential. The publication of data and other information related to the Project

should be limited to those data and information whose disclosure will not jeopardize the eligibility for legal protection of intellectual property created in connection with the Project.

If the project team publishes scientific or other publications as a result of the project activities, they are obligated to state that the results have been achieved on the Project financed by the Science Fund of the Republic of Serbia, as defined in the Contract.

The Principal Investigator is obligated to enable access to Project results to non-confidential Project results to interested parties at any time over the duration of the Project, and for at least one year following the Project completion.

Additional visibility and communications rules may apply, in line with the specific requirements of the Programme's source of financing (the World Bank, the European Union), which shall be defined in the Contract.

It is recommended that primary data collected during the Project implementation be systematically consolidated, structured and formatted electronically.

This Grant Manual is created in accordance with the Act on Goals, Implementation Method and Project Financing Terms of The Science for Industry Program - AI Application in Industry through Scientific Partnership – "From Lab to Market" and adopted by the Managing Board of the Science Fund of the Republic of Serbia.

Chairman of the Managing Board
Science Fund of the Republic of Serbia

Ivica Đalović