



Ministry of Science, Technological  
Development and Innovation

REPUBLIC OF SERBIA  
INNOVATION  
FUND



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## KATAPULT ACCELERATION PROGRAM

-Program Manual-

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## 1. PROGRAM DESCRIPTION

The Katapult is Innovation Fund's acceleration program that targets growth-oriented companies and offers:

1. Intensive training, including mentoring and experimentation support for companies segmented into two streams:
  - a. **An "Ideation" stream**, to assist founders in the early stages of product and market development. These founders are likely seeking market validation, initial traction and confirmation of a business model. While some participants in this category may have customer traction and paying customers, the Katapult may consider pre-revenue startups where IP/tech is considered unique and compelling. Typically, Ideation startups will be looking to raise initial seed capital, from €100.000 - €1million.
  - b. **A "Scale-up" stream**, to support companies with proven traction looking to accelerate growth and aiming to raise a late Seed/Series A round of financing, likely between €500.000 - €2million.
2. Grant funding<sup>1</sup>, including:
  - a. **At-Entry Grants** of up to **€20K for Ideation stream companies** and up to **€50.000 for Scale-up stream companies**.
  - b. **Co-Investment Grants** (CI Grants) of up to 1:1 investment matching **up to the ceiling of €300.000** awarded to Katapult companies that secure private investment.

Company selection will focus on highly skilled growth-oriented company teams developing new products or services, improving customer acquisition or expanding to new markets.

All companies accepted to Katapult automatically qualify for training and At-Entry Grants, while further diligence will be done to approve companies and investors for Co-Investment Grants.

Both At-Entry and CI Grants are awarded in the form of state aid for newly established enterprises in accordance with the [Regulation on the Conditions and Criteria for Horizontal State-Aid Compliance](#) and [Regulations on Rules for State Aid Granting](#).

## 2. TRAINING PROGRAM

The Katapult includes intensive training for annual cohorts including both Ideation and Scale-up companies, with around 20 companies per cohort. The emphasis will be on customized mentoring for each company, according to its particular challenges and growth potential. A residential component in or near Belgrade will be included along with in-person, virtual workshops and mentoring sessions.

The curriculum will cover all aspects of business strategy and go-to-market support through a combination of a structured training and hands-on experimentation with world-class mentors. This will be augmented by initial seed funding through At-Entry Grants and connections to investors (see section 6, At-Entry Grants). Participating companies will also have the chance to apply for CI Grant (see section 7).

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<sup>1</sup> All amounts in EUR presented in this document will be calculated in RS Dinars at the exchange rate of 120RSD for 1EUR.

### 3. TARGET GROUPS

While the majority of Applicants are expected to be digital startups, the Katapult is open to all innovative businesses, with an emphasis on [Serbia's Smart Specialization Strategy](#). At least 50% of available funding will be allocated to Applications in the four priority domains<sup>2</sup>, subject to availability of good quality projects. Women co-founders are specifically encouraged to apply.

### 4. USES OF GRANT FUNDS

#### 4.1. Eligible Costs

Awardees can use grant funding for both At-Entry and CI grants for costs within the following categories:

- Team/salary costs (gross amounts incl. income taxes and benefits).
- Product development services, including developing and testing technology, R&D, etc.
- Business development services, such as market research, partnership/supplier development, costs of expert consultants, sales, marketing etc.
- Other services for the purpose of company growth and development.
- Cost of goods.
- Overheads such as rent, tech/app/data subscriptions, etc.

Only the costs accrued during the timeframe specified in the grant contract with the IF, and services completed, or goods delivered, will be eligible for financing.

#### 4.2. Non-Eligible Costs

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

- Debts and debt service charges (interest).
- Provisions for losses, debt or potential future liabilities.
- Costs declared by the awardee and financed by another action or work program receiving other public sources of financing.
- Purchases of land or buildings, including any renovation.
- Currency exchange losses, fees and penalties.
- Credits to third parties.
- Salary costs of the personnel of national administrations.
- Taxes, including VAT, duties and charges.
- Entertainment and hospitality expenses, including travel costs thereto.
- Recruitment and relocation costs.
- The procurement of second hand or refurbished goods.
- Any activities that directly or indirectly infringe the Trustworthy AI Principles, or constitute an AI Excluded Activity.

The IF will make regular checks with regards to eligible costs.

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<sup>2</sup> According to the Serbia's Smart Specialization Strategy the four priority domains are: 1) Food for future, 2) Information and communication technologies, 3) Machines and production processes of the future and 4) Creative industries.

### 4.3. Non-Eligible Activities

Katapult will **NOT** support Applications or activities in relation to:

- Any activities outlined in the IF's Environmental and Social Management Framework (ESMF)<sup>3</sup> as Exclusions published on the IF webpage.
- Any activities that directly or indirectly infringe the Trustworthy AI Principles, or constitute an AI Excluded Activity as defined in the AI Risk Assessment Framework (RAF)<sup>4</sup>.
- Applications or activities that are not in line with the Horizon Europe ethics requirements and procedures<sup>5</sup>
- Any of the following Applications or activities:
  - Tobacco production, processing, storage.
  - Production of alcohol, excluding beer and wine.
  - Projects that involve alteration to rivers or other natural environments.
  - Mining Projects.
  - Logging Projects.
  - Adult Entertainment Projects.
  - Gambling Projects.
  - Property Development.

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<sup>3</sup> Exclusion list is given in Annex 01 of the ESMF and can be found [here](#)

<sup>4</sup> AI Risk Assessment Framework can be found [here](#).

<sup>5</sup> Manual for ethics self-assessment can be found [here](#)

## 5. SELECTION PROCESS

### 5.1. Eligibility of Companies

An Applicant must meet the following eligibility criteria:

- The Applicant is a **micro or small company registered in Serbia (at least 80% privately owned) as limited liability company (in Serbian d.o.o.), with the majority of the team residing in Serbia (meet conditions for being residents for tax purposes).**
- **Be less than six (6) years** old at the time of submitting the application;
- The Applicant must be majority owned (>50%) by the founding team of entrepreneurs<sup>6</sup>.
- **Remain under the EUR 1 million lifetime cap** of received funding from the IF across all programs and including this one. This applies directly or indirectly to all legally related/affiliated entities to the applicant's entity.<sup>7</sup>
- The Applicant or its affiliated entity **must not** be listed on any public stock exchange.
- The Applicant or its affiliated entity **must not have** generated revenues over EUR 5 million in any of the prior two years.
- The Applicant or its affiliated entity is not involved in any other IF program at the time of application—**whether the involvement concerns a submitted, under evaluation, approved, or ongoing project/contract.**
- Companies that have been awarded funding by the IF and are completing their projects implementation by the end of the year in which the public call for the Katapult acceleration program is published are eligible to apply, unless such a program creates a direct conflict of interest (e.g. general partners in a VC that is financed by the IF under any of the Serbia Ventures<sup>8</sup> programs may not be part of the company that also hold a Katapult grant).
- **No founder of the Applicant controls a company** with an ongoing IF project or controls multiple companies applying under IF programs.
- The Applicant **has not applied more than twice** with a substantially similar application.

In case an Applicant is a subsidiary of a foreign legal entity, then the foreign legal entity (parent company) must also comply with the eligibility conditions stated above.

A company can be enrolled and be awarded At-Entry and CI Grants only once in either Ideation or Scale-up stream and cannot participate in both.

The following individuals shall not be eligible as Beneficiaries, as defined under the Loan Agreement No. 9029-YF entered into between Serbia and IBRD on December 24, 2019:

- Elected Government officials, regardless of whether they have been sworn into office;
- Politically-appointed government officials;
- Career government officials;
- Innovation Fund staff and consultants;

<sup>6</sup> Consolidation of the team of entrepreneurs (buy outs of the shares) is allowed as long as more than 50% of company's equity is retained by the founding team of entrepreneurs (that may include new founders too)

<sup>7</sup> Affiliate entity is defined in [Article 62](#) of the Law on Companies.

<sup>8</sup> Serbia Ventures is a program of the IF designed to stimulate activity of early-stage venture funds in Serbia. For the program description and related documents, please visit the following [page](#).

- World Bank staff and consultants;
- Any other individual which may be involved in the implementation of the SAIGE Project, as determined by the Bank.

Applicants with the above-listed individuals as members of the co-founding teams of entrepreneurs will be deemed ineligible.

The IF will run personal and fiduciary background checks on the entire ownership team of all Applicants including founder/co-founders, existing directors with shares, and other shareholders, before awarding grants. Companies with founders/co-founders and other shareholders who do not pass this check will not be eligible for the program.

## 5.2. Selection Criteria

Selection will be guided by five main criteria:

1. **Team:** Co-founders should have complementary, diverse, cross-functional skills and be able to demonstrate why they are a good team for the problem they are solving. It is preferable that founding teams have at least two co-founders to be considered for the Accelerator.
2. **Product/Technology:** Should have a minimum viable (Ideation) or market-tested (Scale-up) product that has competitive advantages. The IF is looking to support businesses that develop new products, services or processes with the potential for significant technological improvements over the existing state of the art, and which may therefore face risk of failure.
3. **Business Model and Traction:** Should have a vision (Ideation) or proven (Scale-up) monetization strategy and an efficient, scalable business model. For the Ideation stream, pre-revenue companies are not automatically disqualified, but it is a big plus if the team can show evidence of demand or traction (pre-orders, pilots, signed contracts or other sales indications). To be selected for the Scale-up stream, Applicants must already be generating revenue.
4. **Market:** Should be solving a clear problem for a known customer within a large, accessible market with good prospects for regional/international scaling. Scale-up stream Applicants should be seeking to expand into new geographical markets or new customer segments.
5. **Capital Raising:** Should have good prospects for attracting private investors and be seeking an amount of capital commensurate with the program scope. Scale-up stream Applicants are likely to have raised some seed funding and may be seeking a Series A investment. Companies should demonstrate they are able to raise a round in a short term (12-18 months).

Activities that are focused on routine or periodic changes made to existing products, production lines, manufacturing processes, services and other already established operations (e.g., software version updates, product redesigns) which do not result in the creation of tangible value or new intellectual property are **not encouraged** to apply, even if those changes may represent improvements for the Applicant's own portfolio or organization.

Any new IP and know-how which may be created during the implementation of the program must be demonstrated as belonging to the Applicant.

## 5.3. Application Process

### Registration

All Applications are handled through the [Katapult portal](#). To register an account, the Applicant must have a valid Tax Identification Number (PIB). An email address given during the registration will be used for all future correspondence with the Applicants.

### Application Content

Applicants should be prepared to provide the following:

- Completed Application questionnaire.
- Management resumes and a list identifying key employees or representatives of the company.
- List of existing shareholders<sup>9</sup> and their percentage ownership (capitalization table).
- Brief financial history/records.
- Ethics self-assessment questionnaire filled in and signed by the Applicant.
- Financial statements for the most recent operating periods up to two years, if available.
- Pro forma financial model.
- Indicative fundraising ask (amount and use of funds, e.g.).
- Signed Applicant statement document

### Application Submission

Only complete and timely Applications submitted through the Katapult portal will be evaluated.

Applicants can submit only one Application in a specific call for proposals.

Application can be modified and changed until the deadline for Applications, using the link to the Katapult portal. Applications cannot be changed or submitted after the deadline.

Applicants that were rejected in any of the previous calls are strongly advised to take into account any evaluation feedback when reapplying and to note how the feedback was addressed or the reason it was deemed irrelevant and dismissed.

### Administrative and Eligibility Screening

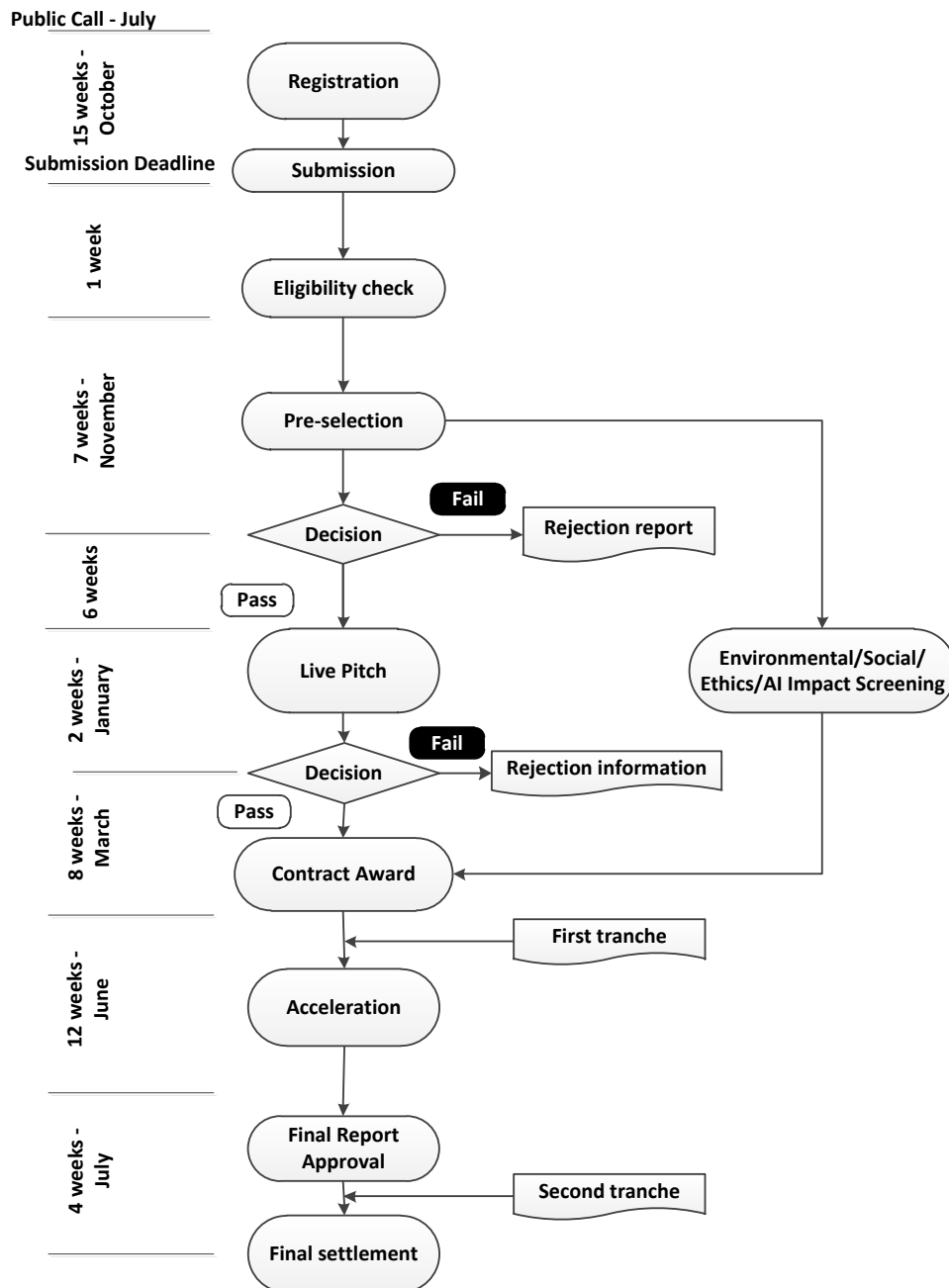
IF will check eligibility according to the eligibility criteria provided above. In the case of Application information deficiencies, companies will be notified and given 72 hours to make changes to their Applications, and subsequently informed of the screening outcome by email. Further details of the selection processes are given in the Katapult Review Guidelines available on the website of the IF.

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<sup>9</sup> Employees with vested interest should also be named in the Application, including their equity stakes at the end of the vesting period.



## Application Review & Selection Process



**Figure 1:** Indicative timeline of the Application Review & Evaluation Process

## Environmental, Social and AI Review

Applicants selected to join Katapult will take part in the intensive training and mentoring that will last about 12 weeks. During this period, they will receive funding in the form of At-Entry grant, which they can use to cover the necessary costs of their business. Due to the nature of the activities which are focused on training and mentoring, environmental, social and AI assessment focuses on the compliance with

respective exclusion lists, and risk assessment frameworks, available in Annex 01 of the project's Environmental and Social Management Framework, and in sections 7.6 and 11 of this document. Experts for the Environmental, social and AI matters will review all pre-selected Applications and highlight those whose operations and fall under any of the activities from the exclusion lists. These Applications will not be further evaluated and will be rejected by the IF. Applicants that don't use AI in their business will not be subject to AI risk assessment procedure.

## **Ethics Issues**

Ethics review is conducted only for pre-selected Applications. It starts after the pre-selection and must be finished before any Agreements are signed. The ethics expert makes an examination based on filled self-assessment checklists, and potential site visits (as needed). An ethics expert will be called upon to provide assessment of any Applications that raise possible ethical risks and to suggest follow up measures or prepare specific monitoring provisions for such Applications.

## **5.4. Selection Committee Review and Decision**

Upon eligibility and administrative check, eligible Applications will then move to the first phase of evaluation to include review by the subject matter expert and pre-selection by the Selection Committee (SC), comprising three external experts. A subject matter expert will be invited to review specific Applications matching their field of expertise, though they will not be directly involved in the decision-making process. The pre-selection will include Application scoring according to the procedure defined in the Review Guidelines and selection criteria defined in Section 5.2. After the pre-selection, the SC will prepare a short list of Applicants that will be invited to pitch before the SC<sup>10</sup>.

Final decision for enrollment is made by the Selection Committee (SC) following the in-person pitch. Placement of the Awardees into Ideation or Scale-up stream will be part of the SC's Final decision. Based on their assessment, the SC may fully or conditionally approve the application, or reject. In the case that the SC makes a conditional approval, the Awardee will be provided with an appropriate timeframe to address and implement the SC's feedback during the pre-contractual phase. The IF will provide companies that are not selected with feedback from the SC, specifying reasons for not being selected. Selected Awardees will be notified via email of the SC decision and will be offered to sign an Acceleration Agreement with the IF, which should be signed before the start date of the acceleration program, or soon after the start date in case of unforeseen circumstances. The Acceleration Agreement will specify the stream (Ideation or Scale-up) and the associated At-Entry Grant.

## **5.5. Applicant Grievance Mechanism**

Applicants and other stakeholders have the right to submit a written complaint regarding any aspect of the program. Such complaints relate to the implementation, structure, or conduct of the program. Complaints should be submitted via email to [katapult@inovacionifond.rs](mailto:katapult@inovacionifond.rs).

In addition, if the applicants wish to object to any of the evaluation outcomes and the assessment made by the Selection Committee, they may submit a formal fact-based letter of objection within **seven (7) working days** from the date of receipt of the evaluation outcome notification. The objection must be

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<sup>10</sup> Several days before the live pitch, the IF may organize a live networking event in order for the Selection Committee to meet the preselected startups and explain what is expected during the pitch. In case of such an event, participation of startups key staff presenting the pitch is required.

submitted by email to [katapult@inovacionifond.rs](mailto:katapult@inovacionifond.rs), written in **English**, and should not exceed **500 words**. The Innovation Fund will provide an official response to the submitted objection within **eight (8) working days** of receiving the letter.

## **6. AT-ENTRY GRANT FUNDING**

### **6.1. Grant Amount**

At-Entry Grants are available to all selected companies, with Ideation phase Awardees eligible for a maximum of RSD 2,4 million (~EUR 20.000) and Scale-up Awardees eligible for a maximum of RSD 6 million (~EUR 50.000).

Awardees can opt to accept and use an At-Entry Grant, or not. Should the Awardee turn down the funding, this amount will be available to secure under the CI Grant (provided the Awardee manages to raise qualified investment and thus become eligible for CI Grant funding).

### **6.2. Acceleration Agreement**

The Acceleration Agreement is prepared by the IF before the official start date of the Katapult accelerator program. It contains provisions for using the At-Entry Grant, type of acceleration support provided by the IF and obligations of Awardees taking part in the Katapult.

Before signing the Acceleration Agreement, an Awardee must provide the following:

- Separate bank account to which the proceeds of the At-Entry Grant will be transferred.
- The names of two official representatives from your company who will sign the acceleration agreement and be actively involved during the 3-month acceleration program (legal representative/managing director, co-founder and/or employee)
- Written statement that the Awardee will comply with all the provisions of Law on labor and protection at work.
- The Applicant must have a meaningful presence in Serbia, defined as the majority of the team residing in Serbia before signing an Acceleration agreement with the IF, the company being headquartered in Serbia, or similar evidence of strong current ties to Serbia, subject to review by the IF and the Selection Committee.
- Awardee must be registered in the [Registry of subjects of the national innovation system](#).
- Awardee must be registered in the Register of Bidders.

The IF will not require proofs for registration in the above two registries as these are publicly available information.

Awardees that opt for the At-Entry Grant may use these funds upon signing the Acceleration Agreement with the IF. The funding can be used for the duration of the Accelerator and up to 30 days after the program completion. The IF will not ask Awardees to provide a specific budget for At-Entry Grants. However, monitoring procedures will be in place to ensure that no funds are used to cover ineligible costs. Awardees are recommended to consult their Lead Mentors while using the proceeds of At-Entry Grants.

### 6.3. Disbursement

The At-Entry Grant will include an up-front and a reimbursable portion. The IF will make available EUR 15.000 upon signing the Acceleration Agreement with Ideation Awardees and EUR 35.000 with Scale-up Awardees. The remaining grant funds will be kept by the IF as a final reimbursable tranche to be transferred to the account of the Awardee for pre-approved expenses accrued during the acceleration program up to the balance of the full grant amount after the Awardee completes the program and a Final Report is approved by the IF.

To justify its costs and claim the final tranche, the Awardee must provide the IF the Final Report with acceptable financial documentation (invoices, proof of deliveries, proof of payments, bank statements, etc.). The final tranche is transferred to the Awardee upon signing the Final Settlement, which is prepared and signed after the acceleration program is completed.

### 6.4. Reporting

The Awardee is obligated to submit a Final Report upon completion of the acceleration program. Approval of the Final Report is a condition for disbursing the reimbursable portion of the At-Entry Grant.

The Final Report will include a survey to assess the overall experience and support received during the Accelerator as well as a narrative summary describing completed activities and the main achievements of the acceleration phase, including the At-Entry Grant use-of-funds and related, measurable KPIs/outcomes linked to participation objectives (product development, customer traction, revenue growth, etc.).

The financial section of the report must document all the payments made from the separate bank account. These payments must be properly itemized to allow easy review by the IF.

## 7. CO-INVESTMENT GRANT FUNDING

As a non-dilutive instrument, Co-Investment Grants preserve equity for founders while lengthening the “runway” during the high-risk, early stages of development, thereby de-risking investments for investors.

All Awardees enrolled in the Katapult accelerator will be considered to apply for Co-Investment Grant funding. These companies may apply for and receive CI Grants after the acceleration program and nine (9) months<sup>11</sup> following completion of their cohort, provided a qualified investment is raised, and no breach of Acceleration Agreement have occurred during the program.

### 7.1. Grant Amount

Total funding available to Awardees is up to RSD 36 million (~EUR 300.000) including both At-Entry and Co-Investment Grants. For example, an Awardee enrolled in the Ideation stream that received an At-Entry Grant of €20.000 may unlock up to EUR 280.000, while a Scale-up Awardee may access an additional EUR 250.000 Co-Investment Grants will match private investment 1:1 (i.e., provide 50% of an investment round) up to the funding ceiling of EUR 300.000. A minimum private investment of EUR 50.000 is required to qualify for a Co-Investment Grant.

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<sup>11</sup> Extensions may be allowed in exceptional cases and at the discretion of the IF.

Co-Investment Grant funds will only be disbursed after the investors have deployed their capital, or in the case of a tranching investment, after the deployment of the first tranche provided that the initial capital invested meets €50,000 minimum.

## 7.2. Investor Eligibility

Eligible investors include angel groups, experienced “super angels,” individual angels as syndicates, seed funds, VC funds, corporate VCs/investors or other early-stage private investors.

Investors must be reviewed and approved by the Innovation Fund. All investors interested in investing in companies eligible for the co-investment mechanism are invited to declare their interest and be approved as Co-Investment Partners by the IF prior to pursuing any specific investment in order to speed up the CI Grants Application review and approval process. Investors may also register on a deal-by-deal basis.

To be approved as Co-Investment Partner or on an individual deal basis, investors will be required to provide information by filling out a questionnaire, declaring all potential Conflicts of Interest and submitting materials to the IF for review. Required information may include:

1. Angel Groups<sup>12</sup>
  - Group name and contact information.
  - Document stating Group’s business status, if available (LLC, Charity, Partnership, etc.).
  - CVs/LinkedIn profiles of leadership and members that may participate in investments.
  - Copy of the membership agreement and group code of conduct, if available.
  - History of investments:
    - Portfolio company names and date of the investments.
    - Investment amounts.
2. Institutional Investors (VC<sup>13</sup> & PE funds<sup>14</sup>, family offices<sup>15</sup>, corporate investors<sup>16</sup>)
  - Institution name and contact information.
  - Company registration documents.
3. Syndicate of Solo Investors
  - Individual names and contact information.
  - CVs of individuals involved.
  - History of angel-type investments made, if any.
    - List of investments made/portfolio.
    - Indication of investment size and if they were a lead investor for each investment.

All investors must pass a fiduciary check to be undertaken by the IF. The IF will reserve the right to vet investors through letters of recommendation, interviews, and background checks, and to reject potential investors for any reason at any time in the process.

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<sup>12</sup> High-net-worth individuals who invest their own capital in early-stage companies.

<sup>13</sup> Investment funds that finance high-growth companies.

<sup>14</sup> Investment management company that provides financial backing and makes investments in the private equity of a startup or of an existing operating company.

<sup>15</sup> Private wealth management firms that invest on behalf of high-net-worth families.

<sup>16</sup> Corporations that invest strategically in startups to foster innovation or gain competitive advantage.

It is the responsibility of the Applicant and investor to disclose any familial or other close relationships between the company founders or key employees and investor(s). CI Grants will not match investment rounds involving family members/friends<sup>17</sup> (of any from the founding team of entrepreneurs)..

### **7.3. Application Process for CI Grants**

#### **Application Instructions**

In preparing the CI Grant Application, Applicants should consider the following:

- All Applications including information and documentation must be submitted in English.
- Only Applications submitted via IF's [CI Grants portal](#) will be considered.
- All Application supporting materials must be uploaded to the relevant section of the [CI Grants portal](#) (no hard copies will be accepted).
- Both the firm Application and the supplemental investor materials are needed to consider the CI Grant Application complete.
- Only complete Applications will be processed.
- An Applicant can receive more than one CI Grant up to a total of EUR 300.000, cumulative with the At-Entry Grant.

The external investments raised by the applicant can go either directly in the entity that entered the Katapult program or in a legally related entity (e.g., parent, affiliated with a mirroring ownership structure, or sister company)

#### **Application Content**

The following information and materials must be submitted as part of the CI Grant Application:

- Online Application properly filled out on the IF's [CI Grants portal](#).
- List of existing shareholders and their percentage ownership (capitalization table).
- Investor deck.
- Due diligence summary or investment memo dully signed by the investor.
- Signed term sheet or an investment agreement with the investor.
- Pro forma financial projections for at least two years.
- Budget breakdown for the requested CI Grant and the investment capital use of funds in the IF's template.
- Environmental and Social Screening Questionnaire filled in and signed by the Applicant.
- Ethics screening questionnaire.
- AI risk assessment questionnaire (only for applicants who use AI in their business).

CI grant Awardee will be required to provide signed investment documents before the first tranche of the CI Grant funding is disbursed. All investors participating in the round and providing investment that will be matched by the CI Grant must provide information to confirm investor eligibility and investment

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<sup>17</sup> Friends (as early-stage investors) are individuals within the personal network of a startup's founder, including friends, family, and close acquaintances, who provide financial support to help the startup launch and grow. These investments are usually based on personal relationships and trust rather than formal business evaluations.

agreements must include signatures of all participating investors (i.e., all investors that will be investing capital matched by CI Grant funds).

## 7.4. Evaluation & Financing Decision

Applications will be reviewed by the SC.

The IF will examine Applications to (i) confirm the requisite information and materials have been provided in full, (ii) verify the company continues to meet the eligibility criteria and ESMF/Ethics/AI risk compliance requirements, (iii) confirm investor(s) eligibility (including Conflict of Interest compliance).

The following factors related to CI grant application will be considered by the SC while assessing the proposed investment:

1. **Team:** The Selection Committee (SC) will re-examine the status of the founding team to identify any changes in the company's executive team since the initial application. This assessment ensures that the leadership structure remains strong and aligned with the company's strategic direction.
2. **Investment structuring:** The IF will match equity and quasi-equity investments (including direct equity/convertible notes<sup>18</sup>/SAFEs, etc.) and may consider alternative structures. Loans and grants, by definition are not qualified investment for CI grant.

The IF will consider whether the terms are consistent with local and global markets good practices for early-stage private investing. The SC may reject CI grant in cases where proposed investments may constitute reputational risk for the IF.

3. **Business Progress:** The company must demonstrate meaningful progress since joining the Katapult program, including achieving key milestones and addressing any operational or business priorities identified during the program. In cases where the company is pivoting, it must present a strong and well-substantiated business case to support this strategic shift.
4. **Traction:** The company must provide evidence of continuous efforts to increase traction in its target market(s). The SC will analyze a comparative review of the company's financial forecasts, from the time of the Katapult application through the subsequent five-year period, to assess the credibility and ambition of its growth trajectory.

**Company receiving investment:** The investment must be made either in the Katapult Awardee or in a related legal entity. This related entity may include, but is not limited to, a parent company established for the purpose of receiving the investment and operating in a specific geography. Additionally, the investment may be made in an affiliated or sister company that shares ultimate ownership with the Katapult Awardee and is engaged in the same or a complementary line of business. The key requirement is that the receiving entity must be directly linked to the Katapult Awardee through ownership structure and strategic business alignment, ensuring that the investment supports the same innovation and growth

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<sup>18</sup> Convertible notes with conversion terms extending beyond the CI grant implementation period will not be accepted. As a general principle, the conversion of the investment into company shares must occur no later than **12 months from the date of signing the Annex to the Acceleration Agreement** under which the CI grant is awarded. Prior to disbursing the final tranche of the grant, the Innovation Fund (IF) will verify that the convertible note has been duly converted into shares of the Awardee company. In cases of non-compliance with this requirement, the IF will demand **full repayment of the CI grant amount**.

objectives, which will be subject to both eligibility review of the Innovation Fund and evaluation of the Selection Committee. Irrespective of the specific legal entity that is receiving external investment, the majority of company operations and key principals (majority of co-founders or executive team members, e.g.) are required to be in Serbia. The CI Grant awarded by the IF will always be transferred to the Awardee entity that is registered in Serbia.

Awardees may submit an investment term sheet and ask for preliminary, non-binding opinion from the IF and the SC regarding the compliance of the terms of the proposed investment with CI Grant qualifying requirements. Negative preliminary opinion will include reasons for non-compliance with qualification criteria and possible measures to correct the terms to qualify for the CI Grant.

The SC may decide not to support CI Grant Application in cases where this may have an adverse effect on the reputation of the IF.

The SC may decide to interview the Applicant and/or the investor before making the decision. The SC will prepare a report with the final co-financing decision. Three decisions are possible:

1. Full approval: CI Grant Applicant is notified, and the process moves forward.
2. Conditional approval: The CI Grant Applicant will be notified of the decision along with any conditions attached to the approval, including the specific timeframe within which these conditions must be met. If the Applicant is unwilling or unable to fulfil the stipulated conditions, the process will be discontinued and the application will be rejected.
3. Denial: CI Grant Applicant is notified that the Application has not been approved.

The IF will communicate the SC's decision to the Applicants via email.

Rejected CI Grant Applicants can submit new applications for CI Grants as long as they are eligible but must address feedback provided at the time of rejection.

## 7.5. Environmental and Social Review of the CI grant application

The first step in the process of assessing environmental and social impact is review of the Environmental and Social Screening Checklist (ESSC). The specialist for environmental and social matters will examine submitted ESSC and categorize Applications according to the risk level:

- Low – no further action required.
- Moderate – Environmental and Social Management Plan Checklist (ESMP CL) preparation and monitoring required during implementation.
- Substantial – Environmental and Social Management Plan (ESMP) preparation with mandatory public consultations, and monitoring required during implementation.
- High – the IF stops the evaluation process and denies the Application.

Applicants will be informed about the outcome of this review and the necessity to prepare Environmental and Social Management Plan (ESMP) or ESMP CL as a prerequisite for approving the Application. Generally, it is the responsibility of the Applicant to prepare the ESMP/ESMP CL and submit it to the IF. Environmental and social specialist will support the Applicant in this process and provide all necessary guidance. Approval of the ESMP/ESMP CL by the IF is a condition for signing CI Grant Agreement. The guidance on the content of the ESMP/ESMP CL is provided in the ESMF. All environmental and social procedures requiring adherence are specified in the ESMF, which are consistent with Serbian national



legislation. In cases where the Application requires an ESMP/ESMP CL and the Applicant does not prepare it, that Application will become ineligible for financing.

Evaluation of Applications will include environmental and social screening based on the ESSC submitted by the Applicant and the specific interview with the specialist for environmental and social matters, in line with the ESMF.

## 7.6. AI Risk Assessment

The IF requires applicants who use AI in their businesses to go through an AI risk assessment based on Risk Assessment Framework (RAF). This assessment encompasses a range of criteria, including checks on transparency, accountability, and trustworthy AI practices. Applicants must demonstrate effective data protection measures, transparent decision-making processes, and strategies to prevent bias within their applications.

The AI risk assessment framework promotes the development of trustworthy AI solutions, ensuring that all supported applicants align with global standards and contribute positively to the ecosystem. By prioritizing these considerations, the program aims to build a sustainable foundation for AI innovation in Serbia.

**The framework includes the following procedure at the level of particular application evaluation:**

1. Specific AI Questionnaire as an assessment tool for applicants;
2. Compliance with the list of AI Excluded Activities that cannot be funded through SAIGE project - conducted by IF's AI specialist. If one or more project activities is found to constitute an AI Excluded Activity, the IF stops the evaluation process and rejects the application;
3. Desk review of completed Questionnaires and applications by AI specialist and preliminary risk classification, in consultation with IF;
4. In-person interview with applicants classified preliminarily as Moderate or High risk before final classification;
5. Final classification of the risk profile of the applicant's business;
6. Agreement on prescribed mitigation measures for applications classified as Moderate and High risk, approved by the AI specialist and IF;
7. AI risk impact assessment of the proposed solution incl. mitigation measures for High-risk AI systems, with risks identified to be addressed through the risk mitigation and monitoring plan.

The IF and AI specialist are responsible for the review and approval of all relevant documentation mentioned above.

The AI Risk Assessment Framework encompasses a range of criteria, including the likelihood, severity and materiality of the relevant risk. Each eligible application will be assigned a risk classification level (Low, Moderate or High Risk) based on this process. Eligible applicants will then have to comply with a set of proportionate, tiered responsibilities based on the assigned AI risk classification level:

1. **Low risk** – Projects should adhere to the minimum requirements:
  - No AI Excluded Activities should be conducted;
  - [If Personal Data is processed]: Conduct data protection impact assessment and comply with applicable data protection laws;
  - Comply with Trustworthy AI principles; and
  - Re-assess risk rating at regular intervals.
2. **Moderate risk** – In addition to the above minimum requirements, Awardees will need to prepare a risk mitigation and monitoring plan using the template provided by the IF (which will be signed off by the IF), including implementation review. Approval of the mitigation and monitoring plan is a precondition for signing the Annex to the Acceleration Agreement.
3. **High risk** – In addition to the requirements applicable to Low and Moderate Risk activities, High Risk activities will require detailed AI risk impact assessment before implementation, along with mandatory audits arranged by the IF. Awardees will agree to these requirements in the Annex to the Acceleration Agreement.

At all times throughout the term of the project, the IF reserves the right to request the Awardee to adopt reasonable measures to mitigate any identifiable or foreseeable AI risks, regardless of how the project is classified under the risk framework set out above and regardless of whether a written mitigation and monitoring plan is adopted.

## 7.7. Annex to the Acceleration Agreement

Once the positive decision is communicated, the IF will prepare the CI Grant Agreement<sup>19</sup> to be signed.

The following documentation must be prepared as a condition for signing CI Grant Agreement:

- ESMP (where applicable) which needs to be approved by the Environmental Expert engaged on SAIGE.
- AI risk mitigation and monitoring plan or AI risk impact assessment (where applicable).
- Separate bank account to which the CI Grant proceeds will be transferred. This may be the same account used for the At-Entry Grant.
- Written statement made under material and criminal responsibility that the Awardee will comply with all the provisions of Law on labor and protection at work.

## 7.8. Disbursement

CI Grant funds will only be disbursed after the investor(s) have deployed their capital and the Awardee provides evidence (via bank statements, e.g.).

As noted above, the Awardee must open a separate bank or use the previously used bank account for the At-entry grant where CI Grant funds from the IF are transferred. This account must not be used for any other purposes except the implementation of the approved grant(s). The Awardee bears full legal responsibility for this account, documents all the payments made to and from it and reports them back to the Innovation Fund.

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<sup>19</sup> CI Grant Agreement may be signed in the form of annex to the existing Acceleration Agreement.

Expenditures to be covered from the grant may not be incurred before the start of the project.

The CI Grant is disbursed on a quarterly basis. The minimum period for the disbursement of the CI Grant is 12 months, provided the investment is transferred in the period of 12 months or less. Disbursement of the CI Grant will not be initiated before the end of four months period starting from the official beginning of the acceleration program during which Awardees use their At-Entry grants.

Prior to quarterly disbursements, the Awardee must submit quarterly progress and financial reports within two (2) weeks after the last calendar day of the reporting period along with other required documentation, and these reports must be approved by the IF.

All payments to the Awardees are made in Serbian Dinars.

The IF reserves the right to adopt the grant structure and disbursement schedule according to specific circumstances related to the Awardee or terms of the investment.

## **7.9. Reporting**

Reporting includes Quarterly Financial and Progress Reports. The Applicant will report back to the IF over the period of 12 months after signing the CI Grant Agreement.

Awardees shall keep accurate and regular accounts of the implementation of CI Grant funding using an appropriate accounting system. These systems may either be an integrated part of the Awardee's regular system or an adjunct to that system. This system shall be run in accordance with accepted standards of accounting and bookkeeping policies and rules. Accounts and expenditures relating to CI Grants must be easily identifiable and verifiable.

Quarterly Financial Reports (QFR) should include cash flow statements from the separate bank account in the template provided by the IF.

While the QFRs describe the changes in the separate bank account only, Quarterly Progress Report will include a narrative recap that focuses on the entire business of the Awardee, outlining the main activities the Awardee has undertaken. In addition, the narrative should focus on the main achievements the Awardee has made in a particular reporting period, challenges it faces and general overview of the business activities. Depending on the reporting requirements imposed to the CI Grant Awardee by the investor, the IF may request reporting on specific KPIs defined in advance. In addition to the reports required under the CI Grant Agreement, it is the Awardee's obligation to report significant events to the IF, positive or otherwise. It is expected that the IF will also be provided with any investor reports shared with company investors.

Final report is submitted to the IF within four weeks after the end of the final reporting period. In addition to the reporting on the last quarter, the Final report contains all relevant financial documentation (account statements, invoices, proof of deliveries, acceptance certificates...) for IF's inspection.

## **7.10. Monitoring visit**

The IF may perform monitoring visits if deemed necessary. The purpose of any monitoring visit by the IF is primarily to check that all important activities are occurring as reported and as stated in the approved documents. The IF staff will notify the Awardee in writing by email approximately one (1) week in advance about the monitoring visit. The notification will outline the purpose of the visit, what is to be reviewed, and who should attend the meeting during the monitoring visit.

## 8. TERMINATION OF GRANT AGREEMENTS

At-Entry and CI Grants may be terminated, and Awardee required to repay part or the full grant amount if any breach of the CI Grant Agreement is made, including under the following circumstances:

- Where the Awardee uses the grant funds in contravention to the purposes stated in the any of the Grant Agreements.
- Where the Awardee continuously fails to participate in the activities that are part of the mentoring program and ignores his duties under the program.
- Where the Awardee uses the grant funds to pay for ineligible expenses or activities listed in the any of the Grant Agreements.
- Where the Awardee has deliberately falsified or provided incomplete information to obtain the grant.
- Where the Awardee fails to cooperate and provide the necessary information as requested by IF.
- Where the Awardee violates any of the Environmental & Social safeguards stated in any of the Grant Agreement.
- Where the Awardee violates any of the AI risk mitigation safeguards stated in any of the Grant Agreements or Acceleration agreement.

## 9. CONFLICTS OF INTEREST

All procedures for approval for grant funding will be done with utmost diligence and any conflicts of interest declared. Any IF staff or program Selection Committee member involved in the above procedures will be required to declare any personal or organizational relationship or interest in any enterprises or individual Applicants, and/or disclose those interests in which they have a particular stake.

Additionally, Applicants are to take all necessary precautions to avoid real or perceived conflicts of interests and shall inform the IF without delay of any situation constituting or likely to lead to any such conflict.

Conflict of interest is present in, but not limited to, situations where the impartial and objective exercise of the functions of any grant Applicant, grant selection committee member, or IF staff or consultants in relation to the execution of this project is compromised because said Applicant, committee member or staff member is in a position to derive personal benefits from actions or decisions made in their official capacity due to personal or professional relationships.

## 10. FRAUD AND CORRUPTION

All Awardees must agree to undertake all necessary actions to prevent possible Fraud and Corruption during the period of support by the IF and in deploying the funding provided by the IF. In pursuance of this policy, the practices constituting Fraud and Corruption are defined as follows:

- a) “Corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.
- b) “Fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

- c) “Collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.
- d) “Coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- e) “Obstructive practice” is:
  - Deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a World Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or
  - An act intended to materially impede the exercise of the IF’s or World Bank’s inspection and audit rights.

Before signing any of the Grant Agreements, Awardees are obliged to provide the following documents to the IF: penalty records certificate, i.e. a certificate from the competent court and competent police administration of the Ministry of Internal Affairs that the Awardee and its legal representative/s have not been charged with any of criminal offences as the member of an organized criminal group; nor charged with any of criminal offences against economy, environment, active and passive bribery, or fraud. If the Awardee is listed in the Register of Bidders in the Serbian Business Registration Agency, the above documents are not required to be submitted.

Before signing any of the Grant Agreements, Awardees are obliged to register in the e-Registry of entities of the national innovation system via the [eInnovation](#) platform.

## 11.DEFINITIONS

<b>AI Excluded Activity</b>	<p>(a) An AI activity that includes (the following list is indicative and not exhaustive):</p> <ul style="list-style-type: none"> <li>(i) Any activity directly or indirectly related to weapons or weapons systems;</li> <li>(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.</li> <li>(iii) Social scoring systems; and</li> <li>(iv) AI systems that are deliberately designed to deceive or manipulate people, including “deepfakes” and other technologies that can be used to create highly</li> </ul>
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	<p>realistic but fabricated content or any other AI systems that manipulate human behavior to circumvent their free will.</p> <p>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.</p>
<b>High Risk AI System</b>	<p>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:</p> <ul style="list-style-type: none"> <li>a. Biometric identification and classification of persons;</li> <li>b. Management of critical infrastructures and their operation;</li> <li>c. Education, vocational training and qualification;</li> <li>d. Employment, human resources and management and access to self-employment.</li> <li>e. Healthcare;</li> <li>f. Access to and use of public and social services and basic private services; and</li> <li>g. Law enforcement.</li> </ul>
<b>Trustworthy AI Principles</b>	<p>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 Intelligence<sup>20</sup>, which include, at a minimum, the following:</p> <ul style="list-style-type: none"> <li>(a) Explainability and verifiability;</li> <li>(b) Dignity;</li> <li>(c) Prohibition to cause damage;</li> </ul>

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<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.

	<ul style="list-style-type: none"> <li>(d) Fairness and non-discrimination;</li> <li>(e) Human agency, oversight, determination and control;</li> <li>(f) Technical reliability, safety and security;</li> <li>(g) Privacy, personal data protection and data management;</li> <li>(h) Transparency;</li> <li>(i) Diversity, non-discrimination and equality;</li> <li>(j) Social and environmental wellbeing;</li> <li>(k) Accountability and responsibility;</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>(l) Proportionality and do no harm;</li> <li>(m) Due process;</li> <li>(n) Freedom of expression;</li> <li>(o) Sustainability;</li> <li>(p) Awareness and literacy; and</li> </ul> <p>Multi-stakeholder and adaptive governance and collaboration.</p>
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