

Program for Strengthening the Innovation of Newly Established or Existing MSMEs

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I. Program Background

According to the available data of the European Innovation scoreboard from 2022¹, compared to the EU average, Montenegro has a lower share of companies that create products that are new to the market. It is possible that innovations within the company do not result in commercially significant innovations, that is, in a larger share of sales based on new products but on the improvement of existing ones. Technical improvement of the product for an enterprise and the domestic market often turns out to be insufficient reason for commercialization. Also, Montenegro has a larger share of non-innovative enterprises with potential for innovation. Although there is currently no data, it would be useful to see the situation concerning these companies, i.e., their reasons for not introducing innovations, i.e., whether they did not have a convincing reason for introducing innovations or whether they did, but the obstacles were too big. From these data, we could see how many non-innovative companies had the intention to introduce innovation, but the obstacles were too big. Then we would also see what the obstacles were, for example, lack of own resources for innovation or high costs of innovation.

The proposed program should respond to both the needs to enable "higher" quality of innovations that occur within companies that are already innovating, as well as to encourage non-innovative companies that are interested in innovating or introducing innovations. Within the proposed program, it will be possible for innovations to arise through own research and development as well as contracted research. The program will also encourage newly established enterprises that have a product, service, technology or process of a higher level of technological readiness, that is, that have undergone pre-acceleration and acceleration processes.

II. About the Program for strengthening the innovation of newly established or existing MSMEs

Purpose of the program:

- a) By investing in pre-commercial activities of newly established enterprises and existing micro, small and medium-sized enterprises, the aim is to encourage the development and improvement of: **products, services and technologies** that are new or significantly improved compared to achievements on the market with the aim of commercialization that will contribute to increasing enterprises' income.
- b) The development of **process innovations**² is also encouraged, i.e., a new or significantly improved way of doing business in the business environment. It represents the introduction of a new production technology that speeds up the

¹ https://ec.europa.eu/assets/rtd/eis/2022/ec_rtd_eis-country-profile-me.pdf The European Innovation scoreboard is published by the European Commission, and it shows the success of the EU in the area of innovation.

²The term "process" refers to the combination of technologies, skills, machines and objects of the business environment, which are used for the production, delivery or maintenance and support of a product or service.

production process, increases the precision and quality of production or significantly reduces production costs. Projects of newly established and existing MSMEs whose technological maturity is beyond the proof-of-concept stage, but which are not yet ready for the market, will be supported i.e., those whose technological level of project development is between TRL 5 and TRL 8, that is, they are in the experimental development phase.

Program objectives

Projects must result in the development of new or significantly improved **products, services, technologies or processes resulting from research and development activities**. Research and development activities can be in-house³, contractual⁴ or a combination of both. All projects that will be financed must contribute to the main and some specific objectives of the program.

The main objective of the program is to increase the innovativeness of MSMEs by introducing process innovations or developing new or improved market-oriented products, services or technologies.

Specific goals or outcomes which are expected three years after the completion of the implementation of the projects are as follows :

- a) Introducing new or improved products, services and technologies to the market
- b) Introducing a new or significantly improved way of doing business
- c) Strengthening the capacity of MSME staff for research, development and innovation
- d) Improving the operations of newly established MSMEs with an emphasis on company management

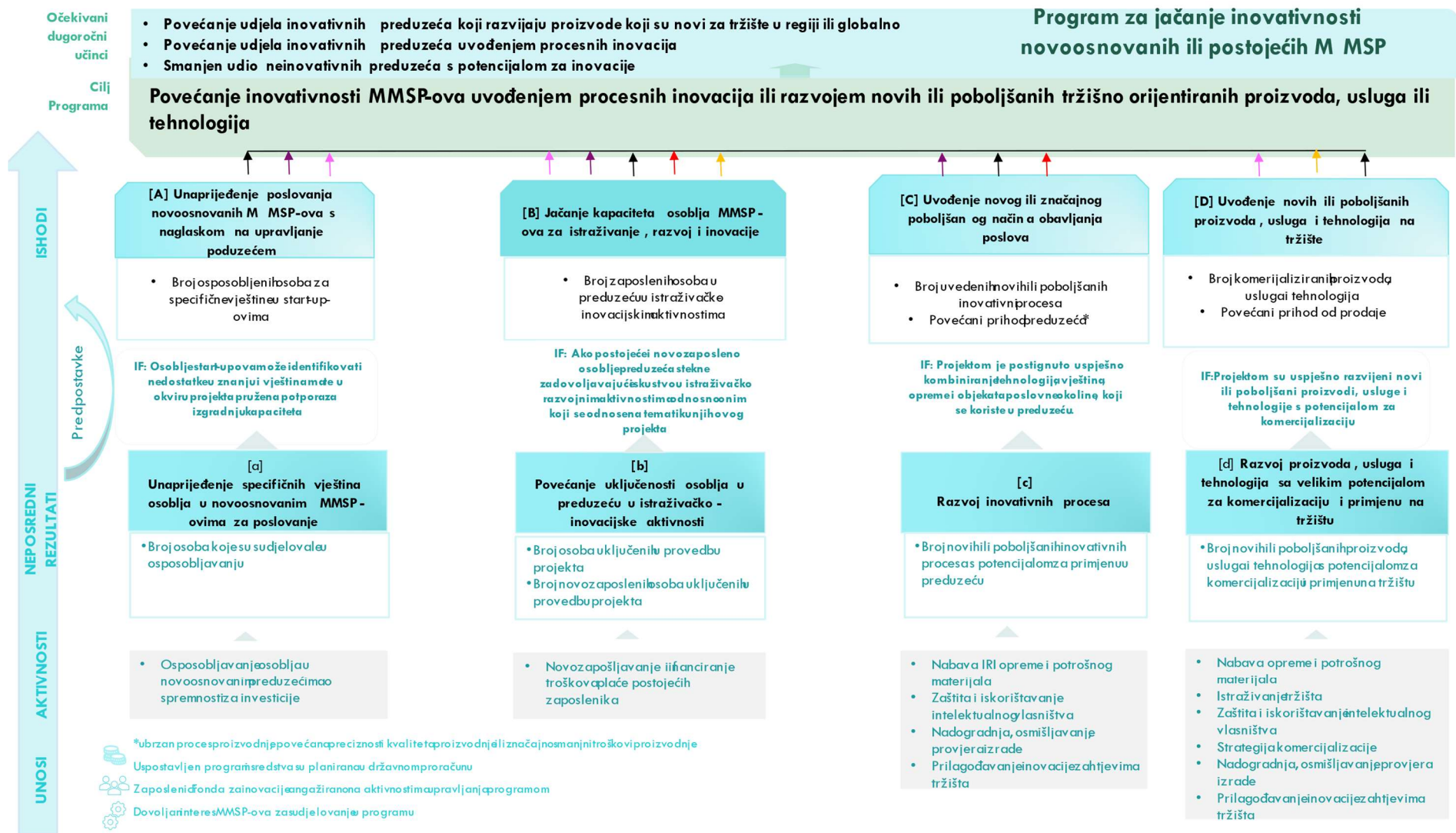
The results that are expected immediately after the completion of the implementation of the projects are as follows:

- a) Development of products, services and technologies with great potential for commercialization and application on the market
- b) Development of innovative processes
- c) Increasing the involvement of company personnel in research and innovation activities
- d) Improvement of specific skills of personnel in newly established MSMEs for business

The theory of change is a planning methodology that describes how the change processes in the program are conceived, that is, it shows the relationships and steps between program activities, transitional results and outcomes and effects, while at the same time specifying the context and indicators that will be used to measure immediate results, outcomes and long-term effects.

³R&D activities take place within the company

⁴I&R activities procured from other parties on market terms



III. Eligible applicants

Within this Program the following will be financed

- a) newly established companies
- b) existing companies

which fall into one of three categories:

Company category	Number of employees	Annual income	or	Total assets
Medium enterprises	< 250	≤ € 50 million		≤ € 43 million
Small enterprises	< 50	≤ € 10 million		≤ € 10 million
Micro enterprises	< 10	≤ € 2 million		≤ € 2 million

The enterprises must meet the following criteria:

- that they are MSMEs in accordance with the definition in Annex 1 of the GBER Regulation.
- that they are registered in the Central Register of Business Entities of Montenegro;
- that they have their seat on the territory of Montenegro;
- that they have fulfilled all obligations of regular payment of taxes and contributions;
- that they are not in pre-bankruptcy, bankruptcy, liquidation proceedings, have suspended regular business activity or the like. in accordance with national regulations;
- that they are not companies in difficulty according to the AFS for the year 2022 in accordance with Article 2, section 18 of Regulation (EU) no. 651/2014 (in the case of newly established companies established in the year in which the project application is submitted, whose financial statements have not yet been approved, temporary financial statements are submitted, from which business events and the balance sheet of the MSME can be seen.)

Newly established companies are those that were established⁵ no more than 5 years before the date of submission of the project proposal, which does not apply to existing companies that will be closed and reopened for the purposes of the Call or those arising

⁵The date of establishment is the date of entry in the appropriate register.

from a merger or separation. The company must be established at least thirty (30) days before the date of submission of the project proposal.

The applicant is obliged to be registered in the Register of Innovative Activities no later than 6 months from the date of signing the grant agreement. Registration is done through the web portal: www.inovacije.gov.me.

IV. Acceptability of partners and partnership formation

Applicants apply individually. Partner organizations and partnerships of any kind are not acceptable.

V. The number of applications per Applicant

The applicant may submit more than one project proposal according to the Call, with a note that funds can only be allocated once for each activity to an individual grant awardee, and the same costs may not be financed twice under any circumstances from the state budget, Union programs, international sources and other state aid providers.

VI. Duration of projects

The period of implementation of the selected projects is at least **12** and at most **36 months**.

VII. Funding amount and aid intensity

Grants

The Innovation Fund of Montenegro allocated funds in the total amount of **1,000,000 euros** for the financing of innovative projects under this Public Call.

The lowest and highest amount of grants that can be awarded to an individual applicant and project is:

- the lowest amount is EUR 50,000.00
- the highest amount is EUR 200,000.00.

Aid intensity

The maximum amount of aid awarded under this program is up to 80% of eligible costs.

Obligations related to de minimis aid refer to projects that will be financed within this Program.

Co-funding by the applicant

The applicant is obliged to secure funds for the co-funding of the project. Co-funding can be from own sources or by securing financing in another way. The funds must not come from non-reimbursable public sources, nor from the funds of the European Union.

From the means of co-funding by the applicant, all acceptable costs can be financed in accordance with section 15 of this Program, that is, costs related to acceptable project activities.

VIII. Obligations related to de minimis aid

Grants awarded to micro, small and medium-sized enterprises as part of this Program represent *de minimis* aid in the sense of the Law on Control of State Aid (Official Gazette, 16/18). De minimis aid for activities within this Program is granted according to the rules for granting *de minimis* aid in the sense of Commission Regulation (EU) no. 1407/2013 from December 18th, 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid⁶ and Commission Regulation (EU) 2020/972 from July 2nd, 2020 amending Regulation (EU) no. 1407/2013 regarding its extension and amendment of Regulation (EU) no. 651/2014 in terms of its extension and corresponding adjustments⁷ (hereinafter: *de minimis* Regulation), which is applied in Montenegro in accordance with the Rulebook on the list of rules on state aid - attachment 7⁸.

The upper limit of de minimis aid that can be awarded to one company, that is, micro, small and medium-sized enterprises within this Program, in accordance with Article 3 paragraph 2 of the de minimis Regulation, may not exceed EUR 200,000 during any period of three fiscal years .

The total amount of de minimis aid that can be awarded in Montenegro to a company that carries out road freight transport for rent or compensation, in accordance with Article 3 paragraph 2 of the de minimis Regulation, may not exceed EUR 100,000 during any period of three fiscal years. This *de minimis* aid may not be used for the purchase of vehicles for road freight transport.

The stated upper limits of EUR 200,000 and EUR 100,000 are applied per one company, regardless of the form of *de minimis* aid or the goal that is intended to be achieved, as well as regardless of whether the aid granted is financed entirely or partially from funds that are from the European Union or from Montenegro.

⁶ Official Gazette L 352/1, 24.12.2013.

⁷ Official Gazette L 215/3, 7.7.2020.

⁸ Official Gazette no. 35/14, 2d/15, 38/15, 20/16, 33/2020, 38/2020, 53/2020, 98/2020, 139/2020, 44/2021, 107/2021, 131/2021, 15/ 2022 and 55/2022.

For the purposes of the upper limits established by Article 3 paragraph 2 of the *de minimis* Regulation, the aid is expressed as non-reimbursable financial resources. All amounts that are applied are gross amounts, i.e., amounts before deduction of taxes and other fees. The aid that is paid in several instalments is discounted to the value of the assistance at the time of its award. The interest rate that is applied when discounting is the discount interest rate that is applied at the time of granting the *de minimis* aid.

If the allocation of new *de minimis* aid could exceed the corresponding upper limit of *de minimis* aid, none of it can be granted on the basis of this Program.

De minimis aid from this Program is considered granted on the day of the decision on the award of *de minimis* aid by the Innovation Fund, regardless of the date of payment of the *de minimis* aid to the company.

De minimis aids as part of this Program are allocated in compliance with the rule from Article 2 paragraph 2 of the *de minimis* Regulation, according to which all entities controlled, on a legal or *de facto* basis, by the same entity are considered one company. The term "one company" includes all companies that are in at least one of the following mutual relations:

- a) one company has the majority of voting rights of shareholders or members in another company;
- b) one company has the right to appoint or dismiss the majority of members of the administrative, management or supervisory body of another company;
- c) one company has the right to exert a dominant influence on another company according to the contract concluded with that company or according to the provisions of the statute or contract of that company;
- d) one company that is a shareholder or member in another company, only controls, in accordance with the agreement with the other shareholder or members of that company, the majority of the voting rights of the shareholders or members in that company.

Companies that are in any of the relationships mentioned in sections a) to d) through one or more other companies are also considered as one company.

The applicant is obliged to submit a statement on all companies with which he is connected according to the definition of a company.

Excluded activities and products

De minimis aid from this Program cannot be awarded:

- a) for activities aimed at exporting to third countries or member states of the European Union, i.e., aid that is directly related to the exported quantities, to the

establishment and functioning of the distribution network or to other current costs related to the export activity⁹;

b) if the aid is conditional on the use of domestic products instead of imported ones.

In case of a merger and takeover of an enterprise, in accordance with Article 3 paragraph 8 of *the de minimis* Regulation, when determining whether the corresponding highest applicable upper limit of the *de minimis* aid is respected with any new *de minimis* aid granted to a new company or a company that takes over another company, all previously assigned *de minimis* aids to any of the companies involved in the merger procedure are taken into account. *De minimis* aids that were legally granted before the merger or takeover are still in accordance with the law.

If a company is divided into two or more companies, *the de minimis* aid granted before that division is awarded to the company that benefited from it, which is basically the company that took over the activities for which the *de minimis* aid was used. If such distribution is not possible, *de minimis* aid is allocated proportionally, based on the book value of the equity capital of the new companies on the effective date of the division.

If a company carries out road transport of cargo for rent or remuneration, as well as other activities to which the upper limit of EUR 200,000 applies, this limit will also apply to that company, under the condition that it is provided in an appropriate way, such as separation of activities or bookkeeping separation of costs, that the aid for the road transport of goods/cargo will not exceed EUR 100,000 and that the *de minimis* aid is not used for the purchase of vehicles for road transport of goods.

Cumulation of state aid

The *de minimis* aid granted under this Program can be cumulated with the *de minimis* aid granted for the provision of services from the general economic interest to the upper limit established in Commission Regulation (EU) no. 360/2012. on the application of Article 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to companies that provide services of general economic interest¹⁰.

The *de minimis* aid granted under this Program cannot be cumulated with state aid for the same justified costs or with state aid for the same measure of risk financing if such cumulation would exceed the highest applicable intensity or amount of aid determined in the specific circumstances of each individual case by the regulation on group exemption, that is, by the decision of the Agency for the Protection of Competition. The *de minimis* aid that is not granted for certain justified costs or cannot be attributed to them may be cumulated with other state aid in accordance with the block exemption regulation or by decision of the Agency for the Protection of Competition.

⁹ *De minimis* aid for the costs of participating in fairs, that is, for the costs of studies or consulting services required for the introduction of a new or existing product to a new market in other countries does not constitute export aid.

¹⁰ Official Gazette L 114, 26.4.2012, p. 8.

Control and monitoring of de minimis aid

The Innovation Fund, as a provider of *de minimis* aid for the activities provided in this Program, prior to awarding that aid, informs the applicant in written form of the intended amount of *de minimis* aid expressed in the form of gross monetary value (subsidy equivalent), as well as the fact that he is *de minimis* aid beneficiary, referring to *the de minimis* Regulation stating its name and data on its publication.

The Innovation Fund grants *de minimis* aid from this Program only after receiving a statement from the applicant, in written or electronic form, about all *de minimis* aid received in Montenegro from any competent authority in the previous two and in the current fiscal year (Statement form can be found in the application documentation for this Program).

The Innovation Fund grants new *de minimis* aid under the *de minimis* Regulation only when it determines that it will not increase the total amount of *de minimis* aid received by the applicant up to a level that exceeds the corresponding upper limit from Article 3 paragraph 2 of the *de minimis* Regulation and that all the conditions stipulated by this Program and *the de minimis* Regulation for the award of that aid have been met.

The Innovation Fund keeps records, that is, collects and records all information related to the allocation of *de minimis* aid within this Program and the fulfilment of all conditions from the *de minimis* Regulation. Records of *de minimis* aid awarded under this Program shall be kept for 10 fiscal years from the date on which the last individual aid from this Program was awarded.

Upon written request, within 20 working days or within a longer period specified in the request, the Innovation Fund will submit to the Agency for the Protection of Competition all the information that this Agency deems necessary in order to assess whether the conditions from the *de minimis* Regulation have been met, and in particular, on the total amount of *de minimis* aid received by any company on the basis of that Regulation or other regulations on *de minimis* aid.

The previously described rules on the awarding of *de minimis* aid within this Program apply until December 31, 2023.

IX. Dual funding

The principle of prohibition of dual funding implies that it is necessary to avoid dual funding of the same expenses from the state budget, Union programs, international sources and other state aid providers. Funds may be allocated to an individual applicant only once for each activity or action, and the same costs may not be financed twice from the above-mentioned sources under any circumstances.

Applicants may not request/receive funds from other public sources for the costs that will be reimbursed within the scope of the submitted and for financing of the selected project.

If the applicant applied for funds from other state aid providers for the same justified expenses, it is necessary to submit a statement stating the amount and status of this aid. All applicants who are recommended for funding will be asked to review all applications for project proposals that are in the financing phase or the evaluation phase is in progress.

X. Eligible areas of research and development

This Program is aligned with the strategic priorities established by the Strategy for Smart Specialization (2019-2024):

- Sustainable agriculture and the food value chain;
- Energy and sustainable environment;
- Sustainable and health tourism; and
- Information and communication technologies as a horizontal priority.

At least 70% of the Fund's available resources within this Program will be allocated for applications in the specified priority areas of the Strategy for Smart Specialization of Montenegro, depending on the availability of quality projects.

XI. Eligible project activities

Eligible activities that can be financed under this Program include:

1. Upgrade, design, feasibility testing, validation of completely new or improved products, technologies, processes or services, testing and development of pilot lines;
2. Protection and exploitation of intellectual property and external services aimed at the development of an innovative idea (product, process, technology, service);
3. Adaptation of the developed product/service/technology to market requirements, which represents the completion of an innovation (product/service) almost ready for the market that contains key functionalities (Minimum Viable Product - MVP), for which initial market interest has already been expressed and/or it has first customers, including incremental innovation on existing products/services to create new versions for new markets.

Activities 1, 2 and 3 may include the following:

- adaptation and completion of the innovation (product/service) to market requirements, including testing and incorporation of test results into the final product/service and optimization,

- transfer of marketable technological solutions, knowledge and experience (transfer of knowledge and technology), including related advisory services and training of employees,
- demonstration and evaluation of the innovation in the operational environment,
- product design,
- protection and management of the subject intellectual property, including applications for the recognition of rights and implementation of the procedure for the recognition of intellectual property rights and the development of a strategic plan for the protection and management of intellectual property.

4. Commercialization of research and development results (preparation of product/service launch)

It may include the following:

- research and market testing for innovation,
- verification of market analysis and/or market needs,
- product testing with potential customers,
- verification of the business model/plan,
- production preparation and investment in trial production, zero series,
- marketing plan and revision of the business and marketing plan,
- operational marketing activities directly related to the commercialization of research results and the launch of products/services on the market (e.g., customer analysis, going to the fair, preparation of promotional materials, presentations, etc.),
- preparations for the next investment cycle and attracting additional funding.

5. Training of staff in newly established companies on readiness for investments

As part of the project, the staff of newly established companies are required to undergo training in specific skills for newly established companies (such as risk management, strategic thinking and planning, the ability to face challenges and demands of a different nature, skills related to business planning, human resources planning, the need for financing, etc.) for the purpose of building capacity and readiness for investments.

6. Training of personnel in newly established companies and existing companies for research and development activities

As part of the project, the staff of newly established companies and existing companies have the opportunity to be trained in research and development or innovation skills, that is, in the skills related to the topic of the proposed project proposal. Training refers to going to professional meetings and conferences.

7. Additional activities acceptable for the entire duration of the project may include:
 - new recruitment and engagement of existing staff within the company
 - engagement of external highly qualified and other professional staff,
 - investments in instruments and equipment.

Activities 4. 5. and 6. are eligible only under condition that they are directly related to the project and activities listed under sections 1. and/or 2. and/or 3. and/or 4.

8. Activities related to contractual obligations:
 - project audit.

XII. Ineligible project activities

Ineligible project activities are activities that fall within the regular business of the applicant, research and development activities and costs that are technologically developed lower than the permitted level of TRL 5 or more than TRL 8, withdrawing cash from the project account, activities of putting the final product, service or technology on market ¹¹, as well as activities related to the increase of production and other capacities of the applicant in case the product/service/technology/process cannot be considered innovative.

All other activities that are not listed in the eligible project activities section are also ineligible.

XIII. Acceptable costs of the applicant

The applicant's acceptable costs are:

Direct costs

1. **Salary costs of staff** (gross 2) employed by the applicant and new employees who will work on the implementation of the project.
The gross 2-year salary is the actual current salary plus social security contributions of the employees expected to work on the project. Gross salaries cover the work of the Project Manager and the professional team (employees involved in the project), provided that they are employees of the applicant with whom they have an employment contract. Other salary supplements such as jubilee awards, gifts for children and vacations are not eligible for co-funding with program funds.

Acceptable and justified expenses in the Program are gross salaries for additional employees who are hired exclusively for work on the project.

¹¹ Activities of placing products, services, technology on the market refer to activities of promotion, distribution, etc.

The cost of staff salaries (gross 2) for the applicant's existing and new employees who will work on the implementation of the project are calculated by dividing the last documented annual gross amount of staff salary costs by 1720 hours for persons working full-time or the appropriate proportional number of hours of 1720 for people who work part-time (e.g. if a person is employed part-time for 4 hours a day, the cost calculation is done in such a way that the documented annual gross 2 amount of the employee's salary costs is divided by 860 hours; $1720 \times 50\%$ of working time). The total number of hours reported per person for a specific year of Project implementation must not exceed the number of hours used in the calculation of that hourly rate.

1.1. Existing employees, for the position on which the employee is employed by the applicant in the month preceding the month of submission of the project proposal, the gross amount is based on the actual salary for that position:

a) for the position where there is an employee who was employed by the applicant for the last 3 consecutive full months preceding the month in which the project proposal is submitted, the gross amount is based on the actual salary of that position;

b) for a position where there is an employee who has been employed by the applicant for less than 3 consecutive full months preceding the month in which the project proposal is submitted and whose payroll can be proved the cost of the gross salary, the calculation will be made from the available recorded gross amounts the employment costs of that worker for the months in which the worker worked for the applicant for the months preceding the month in which the project proposal is submitted, which are then duly adjusted for a period of 3 months.

1.2. New employees, annual gross amounts of salary costs are calculated:

a) for newly employed persons, the annual gross amounts of salary costs are calculated on the basis of documented data on the salary of other employed personnel assigned to the same or similar workplace, whose last annual costs are available for the reference period, i.e., for the 3 consecutive months preceding the project proposal;

c) only in case when none of the applicants' employees are assigned to the same or similar workplace that would correspond to the workplace of the newly employed person, for newly employed persons the annual gross amounts of salary costs are calculated according to the applicant's work regulations, some other document determines the salary levels in the institution of the applicant or by agreement in accordance with the scope and demands of the job.

2. Costs of equipment and materials (acquired specifically for the needs of the project; include purchased equipment, costs of materials, consumables as well as rented equipment, online services and tools) - it is not possible to buy

refurbished/second-hand equipment, although it can be rented for the needs of the project;

Costs of instruments and equipment, in the scope and period in which they are used for the project. If those instruments and equipment are not used for the project during their entire lifetime, only depreciation costs incurred during the project's lifetime are considered acceptable costs, in accordance with generally accepted accounting principles. The item equipment includes equipment whose unit value is greater than 300.00 euros VAT excluded. The applicant should take care that this equipment is really necessary for the project and prove that the project could not be realized without this equipment. Equipment costs can be up to 50% of the total amount allocated from the Program.

3. Costs of materials and small inventory for the needs of the project. Small inventory refers to materials and devices whose unit value is less than 300.00 euros VAT excluded. The total amount of the cost of small inventory must not exceed 10% of the allocated grant funds.
4. Costs of external services:
 - Costs of advisory services for innovation (advisory services and assistance in the area of transfer of knowledge, acquisition, protection and exploitation of intangible assets, application of norms and regulations),
 - The costs of auxiliary services for innovation (refer to the provision of data banks, libraries, market research, laboratories, quality marking, testing and certification for the needs of developing more efficient products, processes or services.),
 - Costs of obtaining, confirming and protecting patents and other intangible assets (intellectual property),
 - Costs of contract research, know-how and patents purchased or licensed from external sources under market conditions .

The total cost of external services may not exceed 20% of the allocated grant.
5. Training costs for newly established companies and existing companies which include travel costs, per diems and registration fees. The total amount of the cost of training for newly established companies and existing companies must not exceed 10% of the allocated grant funds.
6. Value Added Tax (VAT) only if the entity cannot claim a VAT refund for any reason.

Indirect costs

Indirect costs incurred as a consequence of the implementation of the project by the applicant are calculated at a fixed rate up to 7% of the total value of the acceptable direct costs of the project.

- Indirect costs arising from the implementation of the project are not justified and include, for example:

- rental and maintenance costs (periodic inspections prescribed by law, replacement of used materials and elements, periodic and extraordinary works and repairs),
- overhead costs that include heating/cooling, electricity, water, waste removal.

XIV. Unacceptable costs

The following costs and activities are not eligible:

- Debts and debt repayment costs (interest);
- Compensation for losses, debts or potential future liabilities;
- Claimable value added tax (VAT);
- Expenses reported by the Applicant and financed under another action or program that receives funds from other public funding sources;
- Purchase of land or buildings, including renovation;
- Vehicle purchase and leasing;
- Costs of judicial and extrajudicial disputes;
- Costs for opening, closing and maintaining accounts;
- Currency exchange losses, fees and penalties;
- Loans to third parties;
- Non-financial investments;
- Representation expenses;
- Recruitment, relocation or subscription costs;
- Procurement of used or refurbished goods;
- Cash withdrawal from the project account;
- Patent maintenance costs that did not arise from the project;
- The cost of placing the final product on the market;
- All other costs that are not listed in the category of eligible costs.

XV. Procedure for awarding grants

In order to apply for the Public Call, the Eligible Applicant must first register on the Fund's portal via the link www.programifonda.me. The request for account registration is automatically approved, after which the Eligible Applicant receives the necessary credentials via email. After the registration, the Eligible Applicant can submit their Application directly on the portal. The manual on the Program for strengthening the innovation of newly established or existing MSMEs is available on the Fund's portal.

In the grant awarding procedure (hereinafter: the awarding procedure), the following are carried out:

1. assessment of project proposals in relation to administrative criteria
2. evaluation of project proposals in relation to the selection criteria (two rounds)
3. adoption of the Decision on financing.

The allocation procedure is carried out by the Innovation Fund of Montenegro.

Considering the type, complexity and number of expected project proposals and the demandingness and complexity of the award procedure, the award procedure lasts a maximum of 120 days from the closing date of the Public Call. The aim of the checks within the award procedure is to verify the compliance of the project proposals with the administrative and selection criteria listed below. *In justified cases, the Innovation Fund of Montenegro can extend the duration of the awarding procedure, about which it issues a notification.*

1. The assessment of project proposals in relation to administrative criteria

Administrative check of project proposals is carried out in accordance with the criteria set out below, and will be carried out by Fund Managers or other persons employed by the Fund as determined by the Executive Director. They determine whether the project proposals meet the administrative criteria specified in the Public Call. These criteria are strictly applied and any project proposal that does not meet all the administrative criteria specified in the Public Call is not included in the further process. The verification of the fulfilment of the administrative criteria is carried out before the start, and continues during the evaluation of the project proposals in relation to the selection criteria. After reviewing the administrative criteria, the applicants who did not meet the administrative criteria are sent a decision on the rejection, that is, the exclusion of the project proposal from the further procedure. The decision to exclude proposals from further proceedings due to non-fulfilment of administrative criteria is made by the Executive Director of the Fund. The decision is final and cannot be challenged, except in the case of an administrative error. The objection is sent to the Fund by e-mail to the address

info@fondzainovacije.me.

Administrative criteria:

- a) All requested documentation from section XVII has been submitted and is written in English
- b) The content of the project application is filled in according to the correct templates
- c) Eligible applicants are MSMEs as specified in section III.
- d) The applicant must be established at least thirty (30) days before the date of submission of the project proposal.

- e) The application was submitted in electronic form through the portal on the Fund's website within the deadline specified in the Public Call
- f) According to the financial plan, the amount of support requested from the Fund is not less than 50,000 and not more than 200,000 euros.
- g) The duration of projects is a minimum of 12 and a maximum of 36 months
- h) The project activities are in accordance with the eligible activities within this Call as stated in section XI.

2. Evaluation of project proposals in relation to selection criteria

All project proposals that have met the administrative criteria enter the evaluation process of project proposals in relation to the selection criteria. The evaluation procedure is carried out in two rounds.

2.1. First round of evaluation

Fund managers, after reviewing the project proposals, send each project proposal to two evaluators.

In order for the project proposal to enter the evaluation procedure according to the selection criteria, it must meet **the pre-criterion** related to the technological level of development of the innovation.

The pre-criterion is checked by the evaluators:

1. The technological level of innovation development (product / service / technology / process) at the beginning of the project is clearly described and can be classified between TRL 5 - TRL 8 (not lower than TRL 5 nor higher than TRL 8):
2. • Yes
 - No

An applicant who has been awarded a NO by one of the two evaluators based on this criterion is excluded from the awarding procedure and no further checks are carried out.

The selection criteria evaluated by the evaluators are:

1. PROJECT DESIGN

- 1.1. Are the needs of the market identified, that is, the problem that the project solves, and the desired state that would be achieved by the successful implementation of the project is described in a realistic way?
 - a) Market needs are extremely well identified
 - b) Market needs are very well identified
 - c) Market needs are well identified

- d) Market needs are not well identified
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments:

Has the applicant clearly identified the market problem? How will the project solve the identified problem? How is the proposed project important to the area? To what extent is the proposed project important to the area?

1.2. Has the right time for innovation been identified?

- a) The time for innovation is extremely well identified
- b) The time for innovation is very well identified
- c) The time for innovation is well identified
- d) The time for innovation is not well identified
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments:

Is it the right time for this innovation in terms of the market, users, society or scientific - technological trends and development?

1.3. Are the goal, purpose and expected results of the project clearly defined and explained?

- a) The goal, purpose and expected results of the project are extremely clearly defined and explained
- b) The goals are very well defined and explained
- c) The objectives are well defined and explained
- d) The goals are not well defined and explained
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments:

Are the objectives clearly stated and well explained? How could we check the achievement of the goals? Can we objectively measure whether the proposed goals will be achieved or not? Are the proposed goals achievable?

1.4. Feasibility of the proposed research, that is, is the proposed research feasible in terms of appropriateness of activities, time schedule, calculation and whether it can be realized in the proposed period?

- a) The proposed research is extremely easy to perform.
- b) The proposed research is easy to implement.
- c) The proposed research is feasible.
- d) The proposed research is not feasible
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Does the project proposal have a clear, complete, feasible and detailed implementation plan, which includes appropriately identified activities as well as a realistic estimate of the time frame and required resources for its implementation, including an adequate and clearly developed budget? Are the research methods appropriate? Regarding the proposed goals, is the timeline achievable? Is the proposed budget cost-effective and appropriate for the proposed project?

2. LEVEL OF INNOVATION

2.1. What is the estimated technological readiness level (TRL) of the new product/service/process or technology at the end of the project implementation?

- a) The project significantly improves the technological level of a new product/service/process or technology (a shift of 3 TRL)
- b) The project achieves a very good improvement of the technological level of the new product/service/process or technology (a shift of 2 TRL)
- c) The project achieves the improvement of the technological level of a new product/service/process or technology (a shift of 1 TRL)
- d) The project does not improve the technological level of the new product/service/process or technology (no progress in TRL)
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Can the improvement of the technological level of the new product/service/process or technology be clearly seen in the project proposal? Can the achievement of

technological level improvement be objectively measured? How feasible are the proposed technological level improvements?

2.2. In relation to the innovation market (product, service and/or technology), which is the subject of the project investment, according to the level of innovation, it represents:

- a) Radical innovation for the market (or creation of an entirely new market)
- b) A significant improvement compared to existing solutions on the market
- c) Incremental innovation in relation to existing solutions on the market for the purpose of creating new versions of products, services, technologies applicable to new markets
- d) The innovation does not represent a radical, significant improvement or an incremental innovation compared to existing solutions on the market
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Is the innovation based on the latest results of research and technological development? Explain why do you think the innovation is radical or represents an improvement or is incremental compared to existing solutions on the market?

2.3. In relation to the business environment, process innovation that is the subject of project investment, according to the level of innovation, represents:

- a) A radical innovation
- b) A significant improvement compared to existing solutions
- c) Incremental innovation compared to existing solutions
- d) The innovation does not represent a radical, significant improvement or an incremental innovation
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Is the innovation based on the latest results of research and technological development? Explain why do you think the innovation is radical or represents an improvement or is incremental compared to existing solutions on the market?

The evaluator assesses criterion 2.2. or criterion 2.3.

2.4. The product or service and/or technology that will result from the project represents an innovation on:

- a) Global market
- b) Regional market
- c) Local market (MNE)
- d) The product/service/technology does not represent an innovation for the global, international, regional or local market
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Assess the market reach of the product/service/technology based on the proposed innovation, i.e., whether the innovation has the potential to succeed in the target market with little or no competition and whether the innovation has the potential to succeed in the global market. Also, have potential users/customers been adequately described, have the business model and method of entering the target market been presented, the initial market share correctly estimated, the competition (substitutes) analysed, the potential barriers to market entry observed, the regulatory requirements to be fulfilled presented, including and intellectual property requirements?

2.5. Modernization of business by applying innovative process solutions will result in the competitiveness of the company on:

- a) Global market
- b) Regional market
- c) Local market (CG)
- d) The application of innovative process solutions will not result in the competitiveness of the company on the global, international, regional or local market.
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Assess whether the modernization of business through the application of innovative process solutions will result in the competitiveness of the company on the target market with little or no competition, and whether the innovation has the potential for the competitiveness of the company on the global market? Also, are potential users/customers adequately described, is the business model and method of entering the target market presented, initial market share correctly estimated, competition (substitutes) analysed, potential barriers to market entry observed, regulatory

requirements that need to be fulfilled presented, including and intellectual property requirements?

The evaluator assesses criterion 2.4. or criterion 2.5.

Reasoning:

The global market implies the scope of the innovation on the world market; the regional market includes the surrounding countries (Bosnia and Herzegovina, Albania, Kosovo, the Republic of Serbia, the Republic of Croatia and North Macedonia), the local market includes the market of Montenegro.

3. OPERATIONAL CAPACITIES OF THE APPLICANT - Expertise of key team members, skills and ability to implement the proposed project

3.1. Are the structure and competencies of all members of the project team required for the implementation of the project adequate, that is, are their responsibilities realistically distributed and described?

- a) The structure and competencies of all members of the project team are excellent
- b) The structure and competencies of all members of the project team are very good
- c) The structure and competencies of all members of the project team are good
- d) The structure and competencies of all members of the project team are minimal
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Did the applicant secure adequate human resources needed for the implementation of the project, realistically define the structure, qualifications and competencies of the project team members and distribute their team responsibilities and plan the project management, and are the project team members capable of realizing the business idea?

The evaluators rate the individual aspects that make up each evaluation criterion, and rate each aspect on a scale of five numbers - from 1 to 5. Their ratings are equally valuable, and therefore the average is drawn. Evaluators are expected to add a comment to each rating in a form that will provide clear feedback to applicants.

The final grade for the first round of evaluation is formed based on the following formula:

$$K1 = (0.3I + 0.4II + 0.3III)$$

where *I, II and III* are the mean grades (calculated on the basis of the arithmetic mean for each criterion and on the basis of the arithmetic mean for all criteria together) of the two evaluators for the corresponding criterion, and *K1* is the final grade of the first round of evaluation. The final grade for the first round (*K1*) of evaluation is calculated by rounding to 2 decimal places.

With the submission of the individual evaluation by the evaluator, the first round of evaluation ends. Project proposals that were evaluated in the first round with a grade that exceeds **the minimum threshold for further consideration of the project proposal (3.00)** are forwarded to the second round of evaluation.

2.2. Second round of evaluation

In the second round, the selected project teams will be invited to present their project proposals before the Expert commission. Project proposals that did not pass the minimum threshold (3.00) are sent a Decision on Rejection.

The Expert commission will organize a public presentation of project proposals, to which applicants will be invited to hold an independent presentation of the project.

The main questions that applicants will need to answer during the presentation relate to:

- a) Presentation of a business idea
- b) Presentation of the problem that is solved by the project proposal
- c) The solution to the problem
- d) Presentation of a product, service, technology or process
- e) Presentation of the business model
- f) Analysis of the market situation
- g) Competition analysis
- h) Business development
- i) Business risks

Based on the public presentation, the Expert commission will evaluate project proposals based on the criteria listed below:

1. PROJECT SUSTAINABILITY

1.1. Does the applicant realistically and clearly describe the financing strategy after the completion of the project implementation?

- a) The applicant has fully developed a financing strategy
- b) The applicant has developed a financing strategy very well
- c) The applicant has a well-developed financing strategy
- d) The applicant has not developed a financing strategy

- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments:

Is there a plan in the project to get help from other funding sources? How do you rate the project's overall prospects for applying for or receiving funding from other sources?

2. EFFECT OF THE PROJECT

2.1. The company's potential for developing new markets, increasing revenue or the number of employees

- a) The applicant has an extremely high potential for developing new markets, increasing income and the number of employees
- b) The applicant has a very good potential for developing new markets, increasing income and the number of employees
- c) The applicant has good potential for developing new markets, increasing income and the number of employees
- d) The applicant does not have the potential to develop new markets, increase income and the number of employees
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments:

Does the innovation have the potential to develop new markets and influence the growth of the company? Does the company demonstrate a clear and compelling vision, taking into account its current level of development and maturity, in relation to its target market, business model and growth forecasts? Is there a commercialization plan in the project? Will the innovation, if successfully commercialized, contribute to an increase in the company's income or increase in the number of employees?

The Expert Commission makes a **common assessment for both criteria** for each project based on the following formula:

$$EC = 0.5I + 0.5II$$

where *I* and *II* are the ratings of the Expert commission for the corresponding criterion, and *EC* is the rating of the Expert commission. The rating of the Expert commission is calculated by rounding to two (2) decimal places.

2.3. Final assessment of the project proposal for projects that entered the second round

By means of both evaluations (the evaluation of the Expert commission (EC) and the evaluation of the evaluator from the first round (K1), the final evaluation of the project proposal (KO) is formed on the basis of the following formula:

$$KO = K1 * 0.5 + EC * 0.5$$

The final grade is calculated by rounding to two (2) decimal places.

3. Making a financing decision

On the basis of the final evaluation (KO) of all project proposals, a final ranking list is formed, the Fund Managers contact the highest ranked applications and agree on the conditions for the implementation of the project. The negotiations may refer to the financial, legal and/or substantive part of the project proposals, considering the comments of independent evaluators. Applicants are required to submit the following additional documentation:

1. Documents related to the calculation of staff salary costs:
 - 1.1. For newly employed persons, submit a contract proposal (unsigned) and the document on the basis of which the salary was determined.
 - 1.2. For existing employees, submit payslips for the period of 3 consecutive full months preceding the project proposal.
2. A valid offer for any cost greater than 6,000 euros except for personnel costs.
3. Procurement plan
4. De minimis aid declaration form

After the negotiations have been completed, decisions on the acceptance or rejection of the projects are sent.

Applicants whose projects have been approved are invited to sign a grant award contract. In order for the project proposal to be financed, it must have a final grade (KO) of at least 3.80.

The list of beneficiaries with whom the Grant Agreement has been signed will be published on the website of the Innovation Fund within 10 working days after the Agreement enters into force.

At least the following information is published:

- name of the beneficiary;
- Project Name;
- the amount of grants allocated to the project and the rate of co-funding (aid intensity);
- a brief description of the project.

XVI. Documentation required for the implementation of the Program

1. Public call for the Program for strengthening the innovation of newly established or existing SMEs
2. Program for strengthening the innovation of newly established or existing SMEs
3. Rulebook for project evaluation
4. Grant award contract

XVII. Application documentation

1. Application form
2. Project budget
3. Financial projection for 5 years
4. Biographies for project team members
5. Project presentation for projects that enter the second round of evaluation
6. Applicant's statement
7. Statement on (ir)recoverability of VAT

XVIII. Indicators at the level of projects and program for strengthening the innovation of newly established or existing SMEs

The program for strengthening the innovation of newly established or existing SMEs will support projects that have a later stage of technological readiness, i.e., the lowest TRL5 and the highest TRL8. The support will be directed towards projects with clearly defined expected results, in accordance with the aforementioned goals of the Program.

For the purposes of monitoring the project's achievements, the applicant is obliged to select the indicators from Table 1 in the Application Form and specify the specific target values of the indicators that he expects the implementation of the project to achieve. It is also necessary to explain the target values and their connections with the planned project activities in the Application Form. The achievement of the result indicators will be monitored during the duration of the project implementation, and the outcome and performance indicators in the period after implementation.

As part of the monitoring and evaluation of project achievements, the uncertainty of achieving the Program's indirect results, which are measured at the level of outcomes and performance, will be taken into account.

Table 1 Indicators at the level of projects and programs

[O] Program Objective: Increasing the innovativeness of SMEs by introducing process innovations or creating new or improved market-oriented products, services or technologies					
Indicator mark	Level	Indicator	Unit of measurement	Deadline for completion	Note regarding the selection of indicators
01	Output	An increased share of innovative companies that create products that are new to the market	Innovative companies that create new products through their own research and development	Five years from the end of project implementation	Applicants do not include the indicator in the project proposal. The Innovation Fund will monitor the indicator at the Program level.
	<p>Description: The indicator measures the share of innovative companies in Montenegro compared to the EU 27 that create new products for the market through their own research and development.</p> <p>As part of the monitoring of indicators, the share of innovative companies will be monitored according to the corresponding strategic priorities determined by S3.</p> <p>Source of verification: European Innovation Scoreboard, report and/or survey in the post-implementation period</p>				
02	Output	Increased share of innovative companies introducing process innovations	Innovative companies that introduce process innovations through their own R&D	Five years from the end of project implementation	Applicants do not include the indicator in the project proposal. The Innovation Fund will monitor the indicator at the Program level.
	<p>Description: The indicator measures the share of innovative companies in Montenegro compared to the EU 27 that introduce process innovations through their own research and development.</p> <p>As part of the monitoring of indicators, the share of innovative companies will be monitored according to the corresponding strategic priorities determined by S3.</p> <p>Source of verification: European Innovation Scoreboard, report and/or survey in the post-implementation period</p>				
03	Output	Reduced share of non-innovative companies with potential for innovation	Non-innovative companies that have the potential for innovation	Five years from the end of project implementation	Applicants do not include the indicator in the project proposal. The Innovation

	<p>Description: The indicator measures the share of non-innovative companies with the potential for innovation in Montenegro compared to the EU 27.</p> <p>Source of verification: European Innovation Scoreboard, report and/or survey in the post-implementation period</p>	Fund will monitor the indicator at the Program level.
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[A] Specific objective: Strengthening the capacities of SME staff for research, development and innovation

Indicator mark	Level	Indicator	Unit of measurement	Deadline for completion	Note regarding the selection of indicators
A 1	Outcome	The number of persons employed in the company in research and innovation activities	Company employees	Three years from the end of project implementation	An indicator needs to be selected and a target value set for it at the project level for each project.
	<p>Description: The indicator measures the number of employees in the company who are engaged in research and development activities within the company, regardless of the level of professional education.</p> <p>Source of verification: report and/or survey in the post-implementation period</p>				

[B] Specific objective: Improvement of operations of newly established MSMEs with an emphasis on company management

Indicator mark	Level	Indicator	Unit of measurement	Deadline for completion	Note regarding the selection of indicators
B1	Outcome	Number of trained employees for specific skills for newly established companies	Employees of newly established companies	End of project implementation	The applicant can select an indicator and set a target value for it at the project level. The selection of indicators is optional
	<p>Description: The indicator monitors the number of employees trained in new skills such as risk management, strategic thinking, the ability to face challenges and demands of a different nature,</p>				

	skills related to business planning, human resources planning, etc. Source of verification: report and/or survey in the post-implementation period	
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[C] Specific objective: Introducing a new or significantly improved way of doing business					
Indicator mark	Level	Indicator	Unit of measurement	Deadline for completion	Note regarding the selection of indicators
C1	Outcome	Number of introduced new or improved innovative processes	Innovative process	Three years from the end of project implementation	The applicant can select an indicator and set a target value for it at the project level. The selection of indicators is optional
	Description: The indicator refers to the number of introduced new or business processes that will result in an accelerated production process, increased precision and quality of production and/or will significantly reduce production costs. Source of verification: report and/or survey in the post-implementation period				

[D] Specific objective: Introducing new or improved products, services and technologies to the market					
Indicator mark	Level	Indicator	Unit of measurement	Deadline for completion	Note regarding the selection of indicators
D1	Outcome	Number of commercialized products, services and technologies	Product/service/technology	Three years from the end of project implementation	The applicant can select an indicator and set a target value for it at the project level. The selection of indicators is optional
	Description: The indicator refers to the number of developed or significantly improved products, services and technologies that will result in increased sales revenue. Source of verification: report and/or survey in the post-implementation period				

XIX. *Explanation of concepts*

Administrative check	<p>The procedure for checking the project proposal in accordance with the administrative criteria established by this Program.</p> <p>Administrative criteria and, consequently, administrative check, by their very nature, do not consider the content and quality of the project proposal itself, but the process of verification is handled according to default, clear and transparent rules, the same for all applicants, guided exclusively by the set administrative requirements.</p> <p>Only if all administrative criteria are met, the project proposal goes into the evaluation procedure based on the selection criteria. Otherwise, it is excluded from further proceedings.</p>
Grants	<p>The amount allocated by the Fund for a specific purpose to an eligible applicant (grantee). Non-reimbursable funds are those funds that have a specific purpose and must be spent and justified within a specific period and do not have to be returned if they are properly spent.</p>
Grant awardee	<p>Eligible Applicant who signs the Grant Agreement with the Fund after receiving notification from the Fund that the project has been approved for financing.</p>
Experimental development	<p>Experimental development means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills in order to develop new or improved products, processes or services. This may include, for example, activities aimed at conceptually defining, planning and documenting new products, processes or services. Experimental development may include prototyping, demonstration activities, pilot projects, testing and verification of new or improved products, processes or services in an environment that reflects real-life operational conditions if the primary objective is to achieve further technical improvements to products, processes or services that are not in essentially determined. This may include the development of a marketable prototype or pilot project that is necessarily the final marketable product and is too expensive to produce only to be used for demonstration activities and verification. Experimental development does not include routine or periodic changes to existing products, product lines, production processes, services and other ongoing activities, even if these changes mean improvements.</p>
Evaluation of the application	<p>Indicates the evaluation procedure of the Application received through the Fund System. The evaluation takes place in two rounds based on defined selection criteria.</p>
Industrial design	<p>Industrial design, as one of the forms of intellectual property, protects the spatial or characteristic features of the product (industrially produced or crafted object), visible during its normal (intended) use. Spatial features are the shape and outline of the product, and characteristic features are patterns, lines, colours, textures and combinations of the aforementioned features.</p>
Intellectual property	<p>Intellectual property refers to a set of mostly exclusive rights that protect the results of innovative and creative activity, such as technological inventions, industrial design or works from the fields of literature, art, science and other related fields, and trademarks that protect the source, reputation or geographical origin of products and services, such as trademarks and geographical indications of origin.</p>

	<p>The protection of intellectual property is aimed at ensuring a fair return on investment in research and development of new knowledge and technologies, that is, in the promotion, quality and reputation of products and services on the market.</p> <p>Patents are the most common form of intellectual property used to establish exclusive rights to use inventions as a result of research and development of new knowledge and technologies. Although intangible in the physical sense, intellectual property has all the characteristics of property, so it can be bought, sold, licensed, exchanged, gifted, inherited like any other property.</p>
Intensity of state aid	Gross amount of state aid expressed as a percentage of eligible costs, before deduction of taxes or other fees.
Innovation company	<p>An innovation company is a company:</p> <p>(a) which can demonstrate, on the basis of an evaluation carried out by an independent expert, that in the foreseeable future it will develop products, services or processes that are new or significantly improved compared to the current state of the industry in question, and that carry with it the risk of technological or industrial failure; or</p> <p>(b) whose research and development costs represent at least 10% of its total operating costs in at least one of the three years preceding (the year) of the grant of aid or, in the case of a newly established company that has not completed any business year, in the audit of its current business period which is certified by an external auditor;</p>
Research & Development	Research and development include systemic creative work aimed at increasing knowledge about nature, human culture and society and applying the resulting discoveries in practice. It is divided into basic, applied and developmental research
Innovation	Innovation is the implementation of a new or significantly improved product, service, process, marketing or organizational method within an existing business process, work organization or other type of contractual relationship. The OECD (Oslo Manual, third edition) recognizes four types of innovation in companies: innovative product, innovative process (technological innovation), and marketing or organizational innovation (non-technological innovation). Innovations can have different degrees of novelty. It does not have to be new to the world; it may be new to the market, the sector or just the company/institution.
Process innovation	Implementation of new or significantly improved methods of production or delivery (including significant changes in techniques, equipment or software). Production methods include the techniques, equipment and software used to produce goods or services. Delivery methods refer to the company's logistics and include equipment, software and techniques for source inputs, the distribution of inventory within the company or the delivery of final products. Minor changes or improvements, increases in production capacity or service capacity by adding production or logistics systems very similar to those already in use, discontinuing the use of processes, simple replacement or expansion of fixed capital, changes arising solely as a consequence of changes in factor prices, adaptation customers, localization, regular, seasonal and other cyclical changes and trade in new or significantly improved products are not considered Process innovation.
Product/service innovation	A product/service innovation is the introduction of a good or service that is new or significantly improved in terms of features or intended use. This includes

	significant improvements in technical specifications, components and materials, embedded software, user friendliness or other functional features.
Public invitation	Notice to potential applicants for inclusion in the Program. The publication of the public invitation by the Fund is achieved through a public announcement on the Fund's website and in other public media.
Commercialization of the innovative product/service	Commercialization is a part of the innovation process in which the innovation is put into practical use, i.e., it is put into production and the product/service is placed on the market and achieves a breakthrough in the desired market. The prerequisite for starting the commercialization process is the existence of a completed technology / product / service / system / business model prototype tested in a real environment.
State aid beneficiary	State aid/ de minimis aid Beneficiary is any legal or physical person who, performing an economic activity, participates in the circulation of goods and services, and receives state aid/ de minimis aid, regardless of its form and purpose.
Selection criteria	Selection criteria (KO) are the criteria used to evaluate the quality of the project proposal.
Micro, small and medium enterprise (MSME)	In accordance with the definition from Article 1 and Article 2 of Annex <u>a</u> 1 of <u>the GBER</u>
New product/service for the company	A product is "new in the company's offer" if the company has not produced any other product that offers the same functionality, i.e., if the production technology is fundamentally different from the technology of already produced products. Products can be tangible and intangible (including services). This includes process innovation as long as the process contributes to product development. Projects that do not aim at actual product development are excluded.
New product/service on the market	A product is "new on the market" if there is no other product available on the market that offers the same functionality, i.e., the technology used by the new product is significantly different from the technology of existing products. Products can be tangible and intangible (including services). This includes process innovation as long as the process contributes to product development. Projects that do not aim at actual product development are excluded. The product is new on the market for the company if it has not yet operated/operated on the specified market. New markets will be proven by the applicant with a statement on activities in individual/individual new markets.
A newly established company	In terms of this Program, a newly established company is one that was established no more than 5 years before the date of submission of the project application. The date of establishment means the date of registration in the court, trade or other appropriate register of the country of the applicant's seat or the date of a valid document of equal value issued by the competent authority in the country of the applicant's seat.
Funding decision	The decision determining the obligation to reimburse the eligible costs of the approved project and which is the basis for signing the Grant Agreement
Patent	A patent is a right recognized for an invention that offers a new solution to a technical problem, and usually refers to a specific product, process or application. An invention can be protected by a patent if it is industrially applicable, if it is new and if it has an inventive level. The law defines when an invention is new, i.e.,

	<p>when not contained in the state of the art. It is important to note that an invention loses its novelty in terms of patent protection if it becomes accessible to the public in any way. A patent is acquired by recognition of the right by the authorized body for granting that right, i.e., competent office for intellectual property based on examination of the patent application describing the invention.</p> <p>Patent protection is an effective business tool that enables its holders (owners) to return funds invested in research and development of new products and technologies, through a kind of monopoly on the use of the protected technical solution during the duration of patent protection.</p>
According to the market conditions	According to the market conditions represents the terms of the transaction between the contracting parties that do not differ from those that would be established between independent companies and there is no indication of illegal collusion. Any transaction resulting from an open, transparent and non-discriminatory procedure is considered to satisfy the principle of transaction at market conditions.
Applicant	A company applying for this program in accordance with the eligibility conditions of the Applicant.
Start of the project implementation	The implementation of the project must not start before the signing of the Grant Agreement.
Support services for Innovations	Provision of office space, data bank, library, market research, laboratory, quality marking, testing and certification for the development of more efficient products, processes or services.
Grant award procedure	Comprehensive procedure for selecting project proposals
Intellectual right Ownership	The right of intellectual property includes a system of legal instruments that regulate the method of acquiring intellectual property and the method of protection against its unauthorized use.
Application	A package of necessary project documentation and data submitted by the Applicant
The program	Program for strengthening the innovation of newly established or existing MSMEs
State aid program	The state aid program is a legal act on the basis of which, without the need for further enforcement measures, state aid can be granted to unspecified beneficiaries who are determined in the act in a general and abstract manner, and a legal act on the basis of which state aid that is not related to a specific project may assign one or more users for an indefinite period and/or in an indefinite amount;
Project/project Proposal	An individual activity, a set of activities or several sets of activities limited by time and place and aimed at achieving a specific goal for which state aid is requested or used, and which contributes to the achievement of the indicators listed in the Program
Project budget	The project budget contains the planned amounts and funding sources for each of the planned project costs, which are distributed by category and is an integral part of the application. When filling out the project application, the applicant specifies the costs that will be incurred on the project according to the cost categories indicated in the budget table. Applicants fill it out in electronic form in an Excel table and attach it to the Application, and if the Project is approved for financing

	with Program funds, the budget will be an integral part of the financing agreement.
Prototype	Pre-production products are mostly intended for tests and trials before moving into series production. The prototype does not have to technically or optically correspond to the finished serial product, but it serves as a basis for it.
A radical innovation	A radical innovation is defined as an innovation that has a significant impact on the market and the economic activity of companies on that market. This concept focuses on the impact of innovations, as opposed to their novelty. Impact can change market structure, create new markets or make existing products obsolete.
Strategy for Smart Specialization (S3)	A national strategic document that establishes development priorities, and whose goal is to build a competitive advantage through connecting one's own strengths in research and innovation with the needs of the economy, responding in a coherent manner to growing opportunities and market development. It was created through a bottom-up partnership approach, bringing together local authorities, the academic community, the business sphere and civil society, through quantitative and qualitative analysis, i.e., mapping the economic, innovative and scientific potential in Montenegro with the aim of concentrating and connecting research and innovation resources with a limited number determined priority economic areas.
Knowledge and technology transfer	The transfer of knowledge and technology is a process that takes place between scientific institutions and the economy, as well as between economic entities on the domestic or foreign market. The transfer of knowledge and technology represents the transfer of economically applicable technological solutions, knowledge and experience from one entity (technology provider) to another entity (technology acquirer).
TRL	TRL refers to Technology Readiness Level i.e., level of readiness of a technology for its commercial application. In accordance with the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: "European strategy for key assistive technologies - a bridge to growth and new jobs", COM(2012) 341 final version, 26.6.2012, TRL-these are: TRL 1: Fundamental research TRL 2: Formulation of the technological concept TRL 3: Experimental proof of concept TRL 4: Laboratory validation of the technological concept TRL 5: Validation of the technology in the relevant environment TRL 6: Demonstration of technology in a relevant environment TRL 7: Demonstration of technology in an operational environment TRL 8: Established and qualified technological system TRL 9: Successfully proven technology - competitive production
Costs	Costs are amounts of resources expressed in money, used for the purpose of achieving one or more project goals.
Market - global, international, regional or local	The global market implies the reach of innovation beyond the countries of the European geographical space; The international market means the European geographical space (outside the region);

	<p>The regional market includes the surrounding countries (Bosnia and Herzegovina, Albania, Kosovo, the Republic of Serbia, the Republic of Croatia and Macedonia);</p> <p>The local market means the market of Montenegro</p>
Contract research	Contractual research includes the activities of scientific research institutions that are based on knowledge and experience (know-how) from the field of science, and which are ordered by an entity from the business or public sector for the purpose of developing new products, services or new technologies.
Highly qualified staff	Highly qualified staff means staff with university education and at least 5 years of relevant professional experience, which may include doctoral education.
Grant award contract	The contract concluded between the Beneficiary and the Fund for Innovation, which determines the highest amount of grants allocated for the implementation of the project and the rights and obligations of all parties as well as other financial and conditions for the implementation of the Project.
Intellectual ownership management	The process of intellectual property management begins with the entrepreneur's business idea or idea of invention, i.e., technical improvement of the product or production process, takes place through the stages of choosing the best way to protect intellectual property, implementing the protection process and continues through the entire process of commercialization of any form of intellectual property, which includes licensing, technology or complete assignment of intellectual property rights. The intellectual property management includes maintaining the achieved protection in force and monitoring violations of one's own intellectual property rights.
A significant improvement product/service	A significant improvement of a product/service is the introduction to the market of a good or service that is new or significantly improved in terms of characteristics or intended use. This includes significant improvements in technical specifications, components and materials, embedded software, user friendliness or other functional characteristics. A significant improvement of products or services is not considered to be: minor changes or improvements to products/services, adaptation of products/services to individual customers that do not imply significant changes to the characteristics or planned use of products/services, regular, seasonal and other cyclical changes and trade in new or significantly improved products / services.