

INNOVATION FUND OF MONTENEGRO

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PUBLIC CALL FOR SUPPORT TO EARLY-STAGE STARTUP DEVELOPMENT

I THE SUBJECT OF THE PUBLIC CALL

Early-stage startup development Program (hereinafter: Program) is designed to support highly promising teams aiming to validate their business ideas by empirically confirming their proposed problem-solution fit, and demonstrating the future usefulness of their new product, service, process or technology (hereinafter jointly referred to as: product) through development of a first prototype or a minimum viable product (MVP).

Program beneficiaries will receive grant financing and mentorship services that will help them execute the first phase of in-depth market research, begin product development, establish their business model concept and initiate preparation for the next phase of fundraising and development.

The Program goal is to improve the startup community in Montenegro by encouraging the growth and development of existing and creating new startup companies.

The program supports startup projects that develop innovative products with high market growth potential in various areas, including priority areas of smart specialization.

Also, the goal is to improve business operations in the form of strengthening their capacities and competitiveness, bearing in mind that this program line also includes mentoring support.

In addition to mentoring support, the Innovation Fund of Montenegro, (hereinafter: the Fund) will organize a series of specifically targeted workshops that will help beneficiaries better understand their operational environment and receive value on various aspects of building a successful early-stage startup.

During the course of the Program, beneficiaries are ideally expected to complete the following deliverables:

- Validate the problem-solution fit by pairing their business idea with a confirmed market need in a realistic market environment,
- Demonstrate their product's fundamental technical viability (through a prototype, MVP or pilot), and
- Create an effective early business model.

Completing these deliverables should provide the beneficiaries with knowledge and insights which would enable them to polish and verify their product-market fit in the next stage.

II ELIGIBLE APPLICANTS

This Program is focused on supporting young, well-balanced and highly motivated teams that are looking to commence their entrepreneurial careers in the startup world. The program is ideally intended for teams and newly-established startups offering potentially highly scalable and technically sound solutions for relevantly identified problems in the market and hoping to build a compelling business on these propositions.

Eligible applicants for this program are:

- Teams comprised of 2 to 5 members

or

- Privately owned micro companies (in the form of limited liability company)¹, incorporated in Montenegro² for no longer than two (2) years at the time of Application submission.

In cases where the application is submitted by a team, if financing is approved, the applicants will be required to establish a company in accordance with the Montenegrin Company Law. The newly established company must be 100% owned by the proposed team member(s). The percentage of ownership among team members is subject to their internal agreement.

The program is open to applications coming from all sectors of the economy and all fields of science and technology. However, please keep in mind that this program is aligned with the 2019 – 2024 Smart Specialization Strategy of Montenegro³, which focuses on four main priority domains:

- Sustainable agriculture and food value chain
- Energy and sustainable environment
- Sustainable and health tourism
- Information and communication technologies

At least 70% of the Fund's available funding for this call for proposals will be allocated for applications in the abovementioned priority domains, subject to availability of good quality applications.

The allocation of funds for this Call is regulated by the Fund's internal acts.

¹ In accordance with the current Law on Accounting in Montenegro ("Official Gazette of Montenegro", no.145/21 on 31, December 2021), including newly founded companies as stipulated in this law.

² In accordance with the current Montenegrin Company Law in effect

³ <https://www.gov.me/dokumenta/18205a91-1afc-4eb7-a5cb-8ad5bd0b7712>

Eligibility Criteria

Applicants that meet any of the following criteria are **NOT eligible to apply or be financed**:

- Applicant has received EUR 25,000 or more from the Fund;
- Applicant has received EUR 50,000 or more from a private investor;
- Applicant had revenue greater than or equal to EUR 100,000 in any year from the moment of its incorporation;
- Applicant is partially or fully owned by another private or public sector (state-owned) company or entity;
- Any of the founders or proposed team members are majority owners or are in control of another small, medium or large company in Montenegro or abroad⁴ with the exception of a private micro-sized company;
- Any of the founders or proposed team members has 50% or more ownership in a company that is implementing a project financed under any of the Fund's other grant programs (not counting the innovation vouchers) at the time of submitting the application for this program.

Resubmitting modified and improved applications which were previously rejected within any of the Fund's programs is allowed. However, an applicant can resubmit substantially the same application only once (more details in "Program Manual").

III AMOUNT OF FUNDING

The Fund allocated a budget in the total amount of EUR 350,000.00 for the co-financing of innovative projects (hereinafter: projects) under this Public Call.

The grant financing provided by the Fund is limited to a maximum of **EUR 30,000** per project and the Fund's financing can cover a maximum of **90%** of total project budget (excluding the cost of mentorship services). The minimum of **10%**⁵ of the total project budget (again, excluding the cost of mentorship services) is to be secured by the beneficiary from any private source as a cash contribution. No in-kind co-financing will be accepted.

Furthermore, every beneficiary will receive up to EUR 5,000 additional funds that are to be allocated for covering the cost of mentorship support services. Mentorship support is paid by the beneficiary directly to the mentor from a special line in the project budget. These funds cannot be used for any other purpose.

⁴ Control shall imply the right or possibility of one person/entity, either independently or acting together with other persons/entities, to have controlling influence on the operations of another entity through an equity interest in share capital, an agreement or a right to appoint the majority of directors or Supervisory Board members, in line with the applicable Montenegrin Company Law (Official Gazette No. 65/20 on the 03.07.2020).

⁵ E.g., in case the beneficiary is asking the maximum amount of EUR 30,000 from the Fund, and the total project budget (excluding the cost of mentorship services) is EUR 33,333, the required mandatory co-financing of 10% will be EUR 3,333. Conversely, if the total project budget proposed by the beneficiary is EUR 35,000, the Fund will be able to contribute a maximum of EUR 30,000, while the beneficiary will have to secure the remaining EUR 5,000.

De minimis State aid regulation is applied to the financing received by the beneficiary from the Fund through this program. Statement form for small value aid (de minimis aid) – will be requested for submission after the selection of companies/end users of the Program, before signing the contract on participation in the Program. (More info can be found in the Annex of the Program Manual).

IV ELIGIBLE COSTS

The following cost categories are considered eligible for financing:

- Human resources (salaries/compensation for personnel engaged on the project; can be inclusive of all social benefits and income tax for personnel working on the project). For existing startups, before signing the Grant Agreement, it will be necessary to attach the last 3 pay slips preceding the month in which the project application is made and a contract proposal (unsigned) for each new person who will be employed on the project.
- Office rent and basic business support costs (bookkeeping, legal services, etc.)
- Equipment and supplies for development (cannot be used or refurbished equipment and supplies)
- External business development or R&D services
- Value Added Tax (VAT) only if the entity cannot claim a VAT refund for any reason. Before signing the contract, selected startups will be requested by the Fund to submit a VAT statement (Applicant's statement on the status regarding (ir)recoverability of value added tax).

V INELIGIBLE COSTS

The following costs and activities are not eligible:

- All costs incurred before the date of signing the contract;
- Debts and debt repayment costs (interest);
- Compensation for losses, debts or potential future liabilities;
- 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;
- Patent maintenance costs that did not arise from the project;
- All other costs that are not listed in the category of eligible costs.

VI PROGRAM DURATION

Beneficiaries are required to finish the implementation of their project activities within a maximum of 6 months. In cases where the beneficiaries are progressing faster than initially planned, this time frame can be shorter.

On the other hand, in case of significant pivoting from the original idea or unforeseen events which could be considered force majeure by the Fund, the implementation can be extended for a maximum period of up to 3 months as a no-cost extension. The extension needs to be formally requested and justified by the beneficiary before the expiration of their original project and this request must be formally approved by the Fund.

VII PROJECT APPLICATION CONTENTS

The complete application documentation consists of the following two documents:

- *Applicant statement;*
- *Application form* which has to be filled out and submitted in PDF format. It contains:
 - Details on the identified market problem, the proposed solution and its potential business cases;
 - Brief description background of the co-founders and key personnel to be engaged on the project (maximum 5);
 - Simplified budget;
 - A *video clip* representing the applicant's first elevator pitch and lasting no longer than **3 minutes**, including a brief presentation of the concept behind the product/service, and introduction of the team members. *This video presentation should not only contain sketches and numerical indicators. It should describe the way in which the problem was identified, the idea behind the product / service / technology and the explanation why the solution would be adequate for a wider range of users. This clip must be recorded in English and the **link to the video must be provided in the application form** (Vimeo, YouTube or similar link). The applicant bears full responsibility for the quality of the video and its availability to the evaluators.*

Due to the international evaluation process, the submitted Application must be in English.

The Fund will provide advisory, non-obligatory and non-conclusive support to all interested applicants via e-mail, phone, through frequently asked questions, information sessions and/or open doors regarding the administrative aspects of preparing the applications.

VIII EVALUATION PROCESS AND FINANCING DECISION

The Fund utilizes a professional Expert Committee (IC) made of investment professionals with rich international expertise in working with startups across a host of different industries to choose the most promising applications.

The following sections cover all steps of the evaluation process:

Administrative and eligibility check and first screening of applications

All received applications will be subjected to the administrative and eligibility check, conducted by the Fund's program managers or other persons employed by the Fund as determined by the Executive Director. Please observe that in order to be considered for further evaluation, the application must comply with all rules described in the Call and Program Manual and be timely submitted in appropriate templates, while the applicant must comply with all requirements described under the section "Eligibility criteria". During the course of this evaluation phase, the applicant may be required to submit supplemental information necessary for the Fund to determine certain eligibility conditions.

In order to select the best applications, the Fund's program managers will conduct the first screening of all eligible applicants. During this step, the program managers will assess if the application content is satisfactory and provides sufficient information in regards to the established evaluation criteria (especially related to the explanation of the product/service/technology, its competitive advantage or the identified market potential which the application has to cover in substantial detail).

Applicants who did not meet the requirements of the administrative check and the first screening phase will be notified via e-mail/portal, after the Fund has completed the assessment of all submitted applications.

The checklist of administrative and eligibility check is an integral part of the Application Form for this program.

The mentioned procedure is strictly applied and any project application that does not meet all these criteria and preconditions listed in the Program will not be included in the further procedure.

Pre-selection phase

Applications which pass the administrative and eligibility check and first screening will qualify for the subsequent evaluation phase conducted by the Expert Committee (EC). The EC will assess all applications based on the content provided in the application form based on the following **3 evaluation criteria**:

- 1. Usefulness and potential competitive advantage of the proposed solution (max 5 point)**
- 2. Market potential (max 5 points)**
- 3. Team competence (max 5 points)**

As a result of the pre-selection phase (first evaluation phase), applications that score 10 points or above (of a maximum of 15 points) will qualify for the final selection phase (second evaluation phase).

At the end of the pre-selection phase, all applicants will be notified of the outcome via email/portal. Applicants who score below 10 points and therefore do not advance to the final selection phase will receive the EC's written comments on their projects in accordance with the evaluation criteria.

Final selection phase

In the final phase of the evaluation, all pre-selected applicants will be required to submit their project presentations (pitch decks) to the Fund and then present their projects to the Fund's Expert Committee.

Based on the results of the pitch and the overall evaluation of the projects, the Expert Committee will again score all preselected applications and make their final recommendation for decision on financing.

Final decision on financing

Based on the final assessment of all project proposals, the final ranking list is formed. **The Fund makes the Final decision on financing** based on the obtained Ranking list and the available budget for this Public Call. The Fund managers will contact the Team Leaders of the highest ranked applications and conduct negotiations in order to define the conditions for the implementation of the projects. After the negotiations have been completed, decisions on the acceptance or rejection of the projects are sent. All decisions of the Fund are final and cannot be subsequently corrected, except in case of an administrative error.

All applicants that have participated in the final evaluation phase of the evaluation process will be notified about the outcome via portal and will receive the EC's written comments. The list of projects selected for co-funding will be published on the Fund's website.

IX CONTRACTING AND SIGNING THE FINANCING AGREEMENT

Following the notification from the Fund that their application has been approved for financing, the applicant will be offered to sign the financing agreement with the Fund.

Beneficiaries that have applied as teams are required to establish a company by taking into account all requirements stated in the Eligibility criteria section.

Before signing the financing agreement, the beneficiary must provide the following documents to the Fund:

- Proof that the beneficiary is registered in the Central Register of Commercial Entities of Montenegro (CRPS)
- Details of the bank account to which the grant financing will be transferred;
- Other documents which the Fund may request (state aid de minimis form, VAT form, proof that all obligations of regular payment of taxes and contributions are fulfilled, company is not in pre-bankruptcy, bankruptcy, liquidation proceedings, have suspended regular business activity etc. in accordance with national regulations, etc.).

The Fund will assign one mentor from the mentor list to every beneficiary following a matchmaking session. Matchmaking sessions are organized after the Fund informs the beneficiaries that their projects have been approved for financing. Details on cooperation with the mentor are explained in the Program Manual.

After signing the Financing Agreement, the Program Beneficiary will begin the implementation of the project.

X APPLICATION DEADLINE

Applications for the Public Call are submitted through the Fund's portal <https://programifonda.me> from **September 8, 2023** and no later than **October 20, 2023 (until 3:00 PM)**.

XI HOW TO SUBMIT THE APPLICATION

In order to apply for the Public Call, the 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 Applicant receives the necessary credentials via email. After the registration, the Applicant can submit his application directly on the portal.

Application for project as a team should be submitted through the portal by creating a request as a natural person, while request for already established companies is created for legal entities (by entering the PIB number in the applicant's field).

CONTACT

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