



PROGRAM FOR COLLABORATIVE GRANTS FOR INNOVATION

Manual

May, 2024

CONTENTS

PROGRAM BACKGROUND	1
INTRODUCTION	1
I. PROGRAM OBJECTIVES	2
II. ELIGIBLE APPLICANTS.....	3
III. NUMBER OF APPLICATIONS PER APPLICANT	5
IV. PROJECT DURATION	6
V. FINANCIAL ALLOCATION, GRANT AMOUNTS AND STATE AID INTENSITIES.....	6
VI. OBLIGATIONS RELATED TO DE MINIMIS AID.....	7
VII. DUAL FINANCING	10
VIII. ELIGIBLE RESEARCH AND DEVELOPMENT AREAS	10
IX. ELIGIBLE PROJECT ACTIVITIES	13
X. ELIGIBLE COSTS.....	14
XI. INELIGIBLE COSTS	17
XII. APPLICATION PROCEDURE AND DOCUMENTATION.....	19
APPLICATION DOCUMENTATION	20
XIII. GRANT AWARD PROCEDURE AND EVALUATION.....	21
1. Assessment of Project Proposals Against Administrative Criteria.....	21
2. Evaluation of Project Proposals Against Selection Criteria	22
3. Decision Making on Financing	30
XIV. PROJECT IMPLEMENTATION AND MONITORING.....	31
XV. GLOSSARY	32

PROGRAM BACKGROUND

INTRODUCTION

The Innovation Fund of Montenegro implemented the Program for collaborative grants for innovation in 2022 through a Public Call for the award of collaborative grants for innovations. Through this Public Call, and after a two-stage international evaluation, seven grants were approved with a total value of 1.727.462 euros, of which the co-financing of the Fund amounts to 628.760 euros, while the co-financing of the private sector on projects amounts to 1.098.702 euros. Due to significant interest from the business sector and scientific research institutions in participating in this Program and its positive effects in terms of improving the establishment of science-business partnerships (6 newly established partnerships), encouraging strategically prioritized areas of development in terms of implementing the Smart Specialization Strategy (2019-2024), and the development of innovative market-oriented products, services, and technologies with a high potential for commercialization and application in the market, all in order to encourage the competitiveness of the Montenegrin economy, the Fund has decided to continue implementing this Program with an emphasis on earlier stages of technological development which imply conducting research and development activities as the basis for further development of innovations. Research serves as a driver of innovation, encouraging economic growth, technological, and social progress. Considering the relevance and the potential of research to generate knowledge, initiate the development of innovations, respond to market needs, and create a positive social and economic impact, this Program is designed with the goal to enable, in the medium term, the development of new products, services, technologies, or processes resulting from research and development conducted in cooperation between the business and scientific sectors.

The Program for collaborative grants for innovation is accredited by the European Innovation Council (European Innovation Council-EIC) for the implementation of the Plug-In scheme within the EIC Accelerator program. This is one of the three main innovation programs of the EIC (alongside Pathfinder and Transition) and is aimed at supporting micro, small, and medium-sized enterprises, startups, and spin-off companies to develop revolutionary innovations with the potential to create new markets or initiate changes in existing ones. This accreditation confirms that all rules and procedures related to the evaluation and selection of projects for funding are clearly defined, transparent, and in accordance with the rules applicable at the EU level. On the other hand, Montenegrin companies are given the opportunity to access significant funds that are placed at the European level through the EIC Accelerator program more easily and quickly. Thus, this accreditation has opened additional opportunities and resources that will contribute to strengthening the innovation potential of the users of this accredited program.

The Program for collaborative grants for innovation is aligned with the regulatory framework defined in the Law on Innovation Activity ("Official Gazette of Montenegro" no. 82/20), the Innovation Program 2023-2027, and the Government Decision no. 08-082/24-2797/2 from 24

of May, 2024. by which the Work Plan and the annual financial plan of the Innovation Fund of Montenegro for 2024 were approved.

I. PROGRAM OBJECTIVES

The subject of the Program is the award of grants (hereinafter referred to as grants) to MSMEs and "research and knowledge dissemination organizations" (hereinafter referred to as research organizations, in abbreviated form: RO) implementing research and development projects aimed at developing new products, services, technologies, or processes.

The main goal of the Program for collaborative grants for innovation (hereinafter referred to as the Program) is to encourage micro, small, and medium-sized enterprises (hereinafter referred to as MSMEs) to actively and meaningfully collaborate with "research and knowledge dissemination organizations" or "research organizations" registered in the register of centers of excellence, licensed institutions, and organizational units in accordance with the Law on Scientific Research Activities ("Official Gazette of Montenegro", No. 80/2010, 40/2011 - another law, 57/2014, and 82/2020), focusing on the development and introduction of innovative products or processes resulting from applied research and development activities. The program aims to increase the share of innovative MSMEs that create products new to the market or introduce process innovations in the long term, as well as to reduce the share of non-innovative MSMEs with the potential for innovation. The program will enhance innovativeness of companies by encouraging research and development, fostering collaboration between the economic and scientific sectors, and implementing research and development activities, as well as technology and knowledge transfer.

The Program aims to, in the medium term, within a period of 3 to 5 years, enable the creation of a stock of quality innovative projects with a high degree of readiness for further development and commercialization, as well as to strengthen the capacities and abilities of MSMEs and ROs for the development of innovations resulting from research and development activities.

Immediate results of the Program are as follows:

- Improvement of specific skills of staff in MSMEs;
- Increased involvement of staff in MSMEs and ROs in research and innovation activities;
- Increase in commercialization activities of joint research results between MSMEs and ROs;
- Improved cooperation in research activities between ROs and MSMEs;
- Increased activities of technology transfer and knowledge from ROs to MSMEs.

Project funds can be used for co-financing stages of technological development between TRL 2 and TRL 8 on the Technology Readiness Level (TRL)¹ scale. The projects must be connected to research and development activities, meaning they must start with the industrial research phase, which involves planned research or critical reviews aimed at acquiring new knowledge and skills for developing new products, processes, or services, or for achieving significant improvements in existing products, processes, or services (from TRL 2 or TRL 3).

II. ELIGIBLE APPLICANTS

The applicant is a consortium consisting of an **MSME** established as a legal entity with its headquarters in Montenegro as the **Applicant** and a "**research and knowledge dissemination organization**" or "**research organization**" established in Montenegro as a **Co-applicant**.

Eligible applicants are MSMEs that fall into one of the three categories:

Category of companies	Number of employees	Total revenue	or	Total assets
Medium-sized enterprises	< 250	≤ € 50 million		≤ € 43 million
Small enterprises	< 50	≤ € 10 million		≤ € 10 million
Micro enterprises	< 10	≤ € 2 million		≤ € 2 million

The applicant is an MSME that meets the following conditions:

- that it is in accordance with the definition in Annex 1 of the GBER Regulation;
- that it is registered in the Central Registry of Business Entities of Montenegro;
- that it has its headquarters in the territory of Montenegro;
- that it has fulfilled all obligations of regular payment of taxes and contributions;
- that it is not in pre-bankruptcy, bankruptcy proceedings or in liquidation proceedings, has not suspended regular business activity, or similar, in accordance with national regulations;
- to have a positive capital value in the balance sheet on the day December 31, 2023.
- that it has not used financial assistance from public national and international financing sources or donor programs for the same activities covered by the project application. If the applicant has applied for funds from other state aid providers for the same eligible

¹ More information on TRL can be found in the section 2.2

costs, it is necessary to provide a statement indicating the amount and status of this support.

The applicant is in charge of submitting the Application to the Fund.

In order to sign the Grant Agreement and receive financial resources from the Fund, the applicant is obliged to be registered in the *Register of Innovative Activities* managed by the Ministry of Education, Science, and Innovation no later than 6 months from the day of signing the grant agreement. Registration is done through the web portal: www.inovacije.gov.me.

In cases where a company and its founders have an ownership stake exceeding 20% in another business entity (related parties as defined by the Companies Act ("Official Gazette of Montenegro", No. 065/20, 146/21, and 4/2024)), both companies cannot apply. If related parties submit two or more project applications, only the application that was first submitted to the Public Call will be accepted.

Grants awarded to applicants, i.e., micro, small, and medium-sized enterprises within this Program, represent de minimis aid in the sense of the Law on Control of State Aid (Official Gazette, No. 012/18).

Eligible co-applicants are research organizations that must meet two conditions:

1. They must be “organizations for research and dissemination of knowledge” or “research organizations,” meaning entities (such as universities or research institutes, technology transfer agencies, innovation intermediaries, individuals, or virtual collaborative entities focused on research), regardless of their legal status (whether organized under public or private law) or the way they are financed, whose primary goal is to independently conduct fundamental research, industrial research, or experimental development, and to disseminate the results of these activities to the public through teaching, publication, or knowledge transfer, in accordance with the Community Framework for State Aid for Research and Development and Innovation (2022/C 414/01), chapter 1.3, point 16. (ff).
2. They must be registered in the register of centers of excellence, licensed institutions, and organizational units in accordance with the Law on Scientific Research Activities ("Official Gazette of Montenegro", No. 80/2010, 40/2011 - other law, 57/2014, and 82/2020).

The grant awarded to Research and Knowledge Dissemination Organizations ("research organizations") do not constitute state aid, provided that the Research and Knowledge Dissemination Organizations ("research organizations") do not meet the criteria for enterprises. These conditions do not depend on their legal status, whether they are established under public or private law, nor on their economic nature, or whether they aim to make a profit or not. The decisive factor for not fulfilling the enterprise definition criteria is that the economic activities consisting of offering products or services on a given market do not exceed 20% of the organization's total annual capacities. In the case where a research organization engages in both

economic and non-economic activities, public funding of non-economic activities will not be covered by Article 107, Paragraph 1 of the Treaty on the Functioning of the European Union, provided that the two types of activities, their costs, funding, and revenues can be clearly separated to effectively avoid cross-subsidization of economic activities.

In addition to the mandatory Applicant and Co-Applicant, the consortium may include other entities in the form of partners. Eligible partners are MSMEs and/or research and knowledge dissemination organizations or research organizations from Montenegro, acting as formal members of the consortium, but not as applicants or co-applicants. Partners can participate in the consortium as participants, but they cannot report their costs and must have their own budgets. In line with the International Agreement between European Union and Montenegro for the participation of Montenegro in the Union programme Horizon Europe and recognizing that reciprocal participation in each other's research and innovation programmes should provide mutual benefits, international partner institutions may be engaged in the consortium, but cannot declare costs and cannot become formal recipients of funding under this public Call.

Members of the consortium cannot be individuals.

Requirements regarding the rights and obligations of partners in the consortium

Rights and obligations between the applicant and co-applicant are defined by a separate mutual agreement that needs to be provided to the Fund before signing the grant agreement.

This agreement defines the roles of partners in the project, the duration of the partnership, new intellectual property and "know-how" that may be created during the project implementation, data confidentiality, reporting, and keeping project documentation.

Consortium members are required to reach a general agreement on ownership (oral or written) over intellectual property and usage rights before submitting an application for this program and to accept all general principles related to intellectual property mentioned here and in the Application Form for the program.

All new intellectual property and *know-how* that may be created during the project implementation must belong to the consortium members as previously agreed and established between the consortium members by a mutual agreement. All disagreements between consortium members related to the use of intellectual property and *know-how* must be resolved before signing the Financing Agreement.

III. NUMBER OF APPLICATIONS PER APPLICANT

An applicant per call can submit more than one project proposal, noting that an individual beneficiary can be awarded grant funds only for one project proposal, and under no circumstances can the same costs be financed twice from the state budget, Union programs, international sources, and other state aid providers.

A single research organization can participate in more than one project.

IV. PROJECT DURATION

The period for implementing proposed projects is from a minimum of 12 to a maximum of 36 months.

V. FINANCIAL ALLOCATION, GRANT AMOUNTS AND STATE AID INTENSITIES

The total value of an individual project includes:

- grant funds that will be awarded to an individual project by the Fund for a part of eligible project costs, and
- funds of the applicant and co-applicant for co-financing the remainder of the eligible costs.

The Fund has secured funds in the total amount of **1.000.000,00 EUR** for co-financing innovative projects under this Program.

The lowest or highest amount of grant funds that can be awarded to an individual applicant and project amounts to:

- the lowest amount of 50.000,00 EUR
- the highest amount of 200.000,00 EUR.

Aid intensity

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

Grant funds awarded to MSMEs under this program constitute de minimis aid (de minimis aid).

Co-financing by the applicant and co-applicant

The applicant and co-applicant commit to providing funds for co-financing the project. Co-financing can come from own resources or by securing funding through other ways (any source that is not state budget funds). The program finances up to 80% of eligible costs incurred within the implementation of eligible project activities. The applicant and co-applicant are obligated to ensure at least 20% of the funds from their own sources. Co-financing for the project can only be provided as a monetary contribution, and the applicant and co-applicant must secure these funds according to the required costs.

The applicant and co-applicant can co-finance all eligible costs from their own resources in accordance with section X of this Program, specifically costs related to the eligible activities of the project.

The amount of the grant approved by the Fund is based on the specific needs of each project as initially presented by the applicant and co-applicant through their application form and financial plan. The Fund reserves the right to modify the proposed budget of the project provisionally approved for funding during the negotiation phase, in order to better align the budget with the proposed project activities or to ensure compliance with the program's rules and requirements. The final grant amount awarded may be lower than the amount originally requested.

VI. OBLIGATIONS RELATED TO DE MINIMIS AID

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. 2023/2831 from December 13th, 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid²(hereinafter: de minimis Regulation), which is applied in Montenegro in accordance with the Rulebook on the list of rules on state aid - attachment 7³.

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 300.000 during any period of three fiscal years.

The stated upper limit of EUR 300.000 is 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.

For the purposes of the upper limit 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.

² Official Gazette 2023/2831, 15.12.2023.

³ Official Gazette no. 35/14, 2d/15, 38/15, 20/16, 33/2020, 38/2020, 53/2020, 98/2020, 130/2020, 44/2021, 107/2021, 131/2021, 15/2022, 52/2022, 34/2023, 57/2023, 115/2023 and 26/2024.

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 the shareholders' or members' voting rights in another company;
- b) one company has the right to appoint or remove a majority of members of the administrative, management or supervisory body of another company;
- c) one company has the right to exercise a dominant influence over another company pursuant to a contract entered into with that company or pursuant to a provision in its memorandum or articles of association;
- d) one company, which is a shareholder in or member of another company, controls alone, pursuant to an agreement with other shareholders in 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 activity⁴;
- 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

⁴ 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.

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.

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. 2023/2832 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 interest⁵.

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.

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

⁵ Official Gazette 2023/2832, 15.12.2023., p. 9.

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.

VII. DUAL FINANCING

The principle of prohibiting double financing implies that double financing of the same costs from the state budget, Union programs, international sources, and other state aid providers is not allowed. Individual funds can be awarded to an applicant only once for each activity or action, and under no circumstances can the same costs be financed twice from the above-mentioned sources.

Applicants must not seek/receive funds from other public sources for costs that will be reimbursed within the submitted and for financing selected project.

If the applicant has applied for funds from other state aid providers for the same eligible costs, it is necessary to provide a statement indicating the amount and status of this support. All applicants recommended for financing will be required to provide all project proposal applications that are in the financing phase or in the evaluation phase for review.

VIII. ELIGIBLE RESEARCH AND DEVELOPMENT AREAS

This Program is aligned with the Smart Specialisation Strategy 2019-2024, which focuses on four priority domains:

- Sustainable agriculture and 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 for this Program will be allocated to applications in the above mentioned priority areas of the Smart Specialization Strategy of Montenegro⁶, depending on the availability of quality projects.

⁶ <https://www.gov.me/dokumenta/18205a91-1afc-4eb7-a5cb-8ad5bd0b7712>

Financing under this Program is intended for innovative projects that begin with applied research and in cooperation with research organizations. These are research activities that have practical application and that represent the basis for further development of innovation. Such research is particularly beneficial to the private sector as it allows the generation of new knowledge that improves production processes or enables the development of innovative products, technologies, services, or processes. In this way, the quality of innovative solutions can be increased, production or market placement costs can be reduced, revenues can be increased, or environmental protection can be improved.

Project funds can be used for co-financing stages of technological development between TRL 2 and TRL 8, with the obligation that projects start with phase 2 or 3 – industrial research which involves the formulation of technology and applied research. There is no limitation in terms of reaching a higher level on the TRL scale. Project applications will be evaluated based on the quality of research and development, not by the desired shift on the TRL scale.

The part of the project for which grant funds have been approved may include feasibility study activities that assess and analyze the project's potential, as well as proof of concept activities to provide evidence that a new process or technology is feasible and potentially has commercial application. In this phase, it is proven whether the conducted research can lead to a proven concept, formulating new technologies that will eventually be validated on prototypes. **Given that this pertains to one of the earliest stages in the development of innovations, where the feasibility of a technological solution's concept is potentially being validated, there is a possibility that the proof of concept for certain projects may be negative. In such cases, if an independent evaluator assesses during the project monitoring phase that the proof of concept is negative, further funding for the project may be suspended, which will also be stipulated in the grant agreement.**

The purpose of the Technology Readiness Level (TRL⁷) is to assess the technological maturity before that technology becomes usable. TRL level also helps in measuring the progress of the project. The TRL scale is based on a scale from 1 to 9, where 9 represents the most mature technology.

Identifying the TRL for the relevant project or technology allows the applicant to independently determine the degree of development of the project idea, i.e., at which level the technology is at the time of submitting the application and where it will be upon completion of the project.

TRL levels are shown in the table below.

⁷ Technology Readiness Level- TRL

Technology Readiness Level		DESCRIPTION OF TECHNOLOGY READINESS LEVEL	
TRL 0.	Idea	Unproven idea/concept. No analysis or testing has been performed.	
TRL 1.	Basic Research	Basic principles observed. Concept demonstrated. Basic functionality demonstrated by analysis, reference to features shared with existing technology or through testing on individual subcomponents/subsystems. Shall show that the technology is likely to meet specified objectives with additional testing.	Lab Research
TRL 2.	Technology formulated	Technology concept formulated. Concept design or novel features of design validated through model or small scale testing in laboratory environment. Shall show that the technology can meet specified acceptance criteria with additional testing.	
TRL 3.	Experimental research	Experimental proof of concept. Active research and development is initiated. This includes analytical studies and laboratory studies to physically validate analytical predictions of separate elements of the technology. Examples include components that are not yet integrated or representative.	
TRL 4.	Low level Prototype	Technology validated in lab. Full-scale prototype built and technology qualified through testing in intended environment, simulated or actual. The new hardware is now ready for first use.	
TRL 5.	Improved Prototype	Technology validated in relevant environment (industrially relevant environment in the case of key enabling technologies). The basic technological components are integrated with reasonably realistic supporting elements so it can be tested in a simulated environment. Examples include “high fidelity” laboratory integration of components.	
TRL 6.	High level Prototype	Technology demonstrated in relevant environment (industrially relevant environment in the case of key enabling technologies). Represents a major step up in a technology's demonstrated readiness. Examples include testing a prototype in a high-fidelity laboratory environment or in simulated operational environment.	
TRL 7.	System Prototype demonstration	System prototype demonstration in operational environment. Prototype near or at planned operational system – Represents a major step up from TRL 6, requiring demonstration of an actual system prototype in an operational environment.	Real world
TRL 8.	First final product	System complete and qualified. Technology is proven to work – Actual technology completed and qualified through test and demonstration.	
TRL 9.	Complete commercial application	Actual system proven in operational environment (competitive manufacturing in the case of key enabling technologies; or in space). Actual application of technology is in its final form.	

IX. ELIGIBLE PROJECT ACTIVITIES

Eligible activities that can be financed within this Program are:

- Research project activities - conducting applied research
- New employment and engagement of existing staff within MSMEs and/or ROs;
- Procurement of equipment and materials;
- Strengthening the capacities of MSMEs and research organizations for innovation development - education, training, dissemination of results activities aimed at innovation development and project promotion in the country and/or abroad, it may include participation in conferences, field trips in Montenegro for the purpose of collecting materials and data related to research, attending seminars, and all types of education that contribute to the professional training of the project team in research, development, or innovation skills;
- Accompanying consultancy services that include services that are necessary to achieve project objectives, i.e., knowledge transfer, such as consultations of experts in knowledge and skills not possessed by the project team (e.g., analysis of scientific results, consultations on the commercialization of scientific results, etc.);
- Creation of a prototype in a laboratory environment;
- Demonstration of technical feasibility;
- Market analysis, creation of a feasibility study, concept and/or strategy for development and/or commercialization of the product (study or commercialization plan)
- Project implementation activities
- Project audit
- Upgrading, designing, proof of concept, validation of completely new or improved products, technologies, processes, or services, testing, and development of pilot lines;
- Protection and use of intellectual property and external services focused on the development of an innovative idea (product, process, technology, service);
- Adaptation of the developed product/service/technology to market requirements, representing the completion of an innovation (product/service) nearly ready for the market that contains key functionalities (Minimum Viable Product – MVP) for which initial market interest has already been expressed and/or has the first customers, including incremental innovations on existing products/services for the purpose of creating new versions for new markets.

The mentioned activities can include demonstration, prototype creation, piloting, testing, and validation of completely new or improved products, processes, or services, where the primary goal is to make significant further improvements. Projects can also include commercially exploitable prototypes or pilots, industrial research, and technology validation with a clear practical application.

- Commercialization of research and development results (preparation for product/service launch)

The mentioned activity may include the following: market research and testing for innovation, verification of market analysis and/or market needs, product testing with potential customers, verification of the business model/plan, preparation for production and investment in trial production, zero series, marketing plan and review of business and marketing plan, operational marketing activities directly related to the commercialization of research results and product/service launch on the market (e.g., customer analysis, participation in a fair, preparation of promotional materials, presentation, etc.), preparations for the next investment cycle and attracting additional financing funds.

Ineligible project activities include activities that are part of the regular operation of the applicant and co-applicant activities and research and development costs that are technologically developed below the allowed level of TRL 2 or above TRL 8, cash withdrawals from the project accounts, activities of placing the final product, service, or technology on the market, procurement of used equipment, procurement of passenger, freight, and commercial vehicles, purchase of used equipment, tools, and materials. All other activities not listed in the chapter Eligible project activities are also ineligible.

X. ELIGIBLE COSTS

The grant awarded by the Fund can be used only for co-financing costs categorized as "eligible costs". Categories of eligible and ineligible costs are listed below. The approved project budget for each project represents both the estimated costs for the items listed in the budget and the upper limit in terms of total eligible costs.

Eligible direct costs are personnel costs:

1. **Personnel costs** – gross 2 (human resources of the applicant and co-applicant and other employed and newly employed project personnel who will work on the implementation of the project. Gross 2 annual salary is the actual current salary together with social contributions of 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 they are employees of the applicant and co-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-financing with Program funds.

Eligible and justified costs in the Program are gross salaries and additionally employed persons who are exclusively engaged to work on the project.

Personnel costs (gross 2) of employees at the applicant and co-applicant and newly employed who will work on the implementation of the project are calculated in a way that the last documented annual gross amount of personnel costs is divided by 1720 hours for full-time employees or a corresponding proportional number of hours from 1720 for part-time employees (e.g., if a person is employed part-time for four hours a day, the cost calculation is performed in a way that the documented annual gross 2 amount of employee salary costs is divided by 860 hours; $1720 \times 50\%$ working time). The total number of hours reported per person for a certain year of Project implementation must not exceed the number of hours used to calculate that hourly rate.

1.1. Existing employees - for the position where the worker is employed at the applicant or co-applicant in the month preceding the month of submitting the project proposal, the gross amount is based on the actual salary of that position:

- a) for the position where there is a worker who has been employed at the applicant or co-applicant for the last three 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 the position where there is a worker who has been employed at the applicant or co-applicant for less than three consecutive full months preceding the month in which the project proposal is submitted, and with whose salary slips the cost of gross salary can be proven, the calculation will be derived from the available recorded gross amounts of employment costs of that worker for the months in which the worker worked at the applicant or co-applicant for the months preceding the month in which the project proposal is submitted, which are then properly adjusted for a period of three months.

1.2. Newly employed - annual gross amounts of salary costs are calculated:

- a) for newly employed persons, annual gross amounts of salary costs are calculated based on documented data on the salary of other employed staff assigned to the same or similar position whose last annual salary costs are available for the reference period, i.e., for three consecutive months preceding the project proposal;
- b) exclusively in cases where at the applicant or co-applicant not one of the employed persons is assigned to the same or similar position that would correspond to the position of the newly employed person, for newly employed persons, annual gross amounts of salary costs are calculated according to the labor regulations of the applicant or co-applicant, some other document determining salary levels in the institution of the applicant or co-applicant, or agreement in accordance with the scope and complexity of the job position.

The total co-financing by the Fund in this cost category cannot exceed 70% of the awarded grant amount.

2. **Equipment and material costs** for the applicant and co-applicant (purchased specifically for the project; include purchased equipment, material costs, consumables, as well as rented equipment, online services, and tools). It is not possible to purchase refurbished/used equipment, although it can be rented for project purposes.

Equipment and instrument costs are eligible to the extent and for the period in which they are used for the project. The equipment item includes equipment whose unit value is greater than 300,00 EUR VAT excluded. The applicant and co-applicant should take care that this

equipment is truly necessary for the project and prove that the project could not be implemented without that equipment.

The total co-financing by the Fund in this cost category cannot exceed 50% of the awarded grant amount.

3. **Costs of materials and small inventory for the project** for the applicant and co-applicant. Small inventory refers to materials and devices whose unit value is less than 300,00 EUR VAT excluded.

The total co-financing by the Fund in this cost category cannot exceed 10% of the awarded grant amount.

4. **Costs for external services for the applicant**

- a) Costs of advisory services for innovations (advisory services and assistance in the field of knowledge transfer, acquisition, protection, and exploitation of intangible assets, application of standards and regulations that cover them),
- b) Costs of auxiliary services for innovations (relate to providing databases, market research, creation of feasibility studies, studies or plans for commercialization, laboratories, product quality labelling, testing, and certification for the development of more efficient products, processes, or services.),
- c) Costs of acquiring, validating, and protecting patents and other intangible assets (intellectual property),
- d) Costs of patents or licenses purchased from external sources at market conditions.

The total co-financing by the Fund in this cost category cannot exceed 20% of the awarded grant amount.

5. **Costs of education, training of employed staff, and costs of promoting research and development results arising from the project**

For MSMEs: Capacity building of MSMEs for innovation development through educational activities, training, both domestically and/or abroad, which may include participation in conferences, attending seminars, and all types of education contributing to the professional development of the project team in research and development or innovation skills.

For ROs: Participation in conferences, exhibitions, scientific gatherings aimed at promoting and disseminating research and development results domestically and/or abroad. This encompasses costs of analyzing scientific results, consultations on the commercialization of scientific research results, registration fees, related travel expenses, accommodation costs, and per diems.

The total co-financing by the Fund in this cost category cannot exceed 10% of the awarded grant amount.

6. **Value-added tax (VAT)** only if the entities, for any reason, cannot request a VAT refund.

Indirect costs

Indirect costs incurred as a result of project implementation at the applicant and co-applicant are calculated at a fixed rate up to **7% of the total value of eligible direct project costs.**

Indirect costs incurred by implementing the project include, for example:

- a) rental and maintenance costs of premises (legally prescribed periodic inspections, replacement of consumed materials and elements, periodic and extraordinary works and repairs),
- b) overhead costs that include electricity, water, waste disposal, etc.

The applicant has the right to all mentioned categories of eligible costs, while the co-applicant has the right to eligible costs from categories 1, 2, 3, 5 and 6 in accordance with the above mentioned.

Taking into account the uniqueness of each Application, the percentages of the project budget allocated to each category can vary depending on project needs and can be adjusted by the Fund to better reflect the objectives of the project proposal.

Only costs that are in accordance with the approved project budget and that have arisen after signing the Financing Agreement between the applicant and the Fund and that have been incurred by the end of the project are eligible for financing.

The approved co-financing for the project cannot be used only for co-financing one cost from the list of mentioned eligible costs (eg, the cost for the purchase of equipment, the cost of human resources, similar). Each eligible cost related to the project is jointly co-financed by the Fund and the applicant and co-applicant in proportion to their financial contribution to the project itself.

XI. INELIGIBLE COSTS

The following costs are not eligible:

- Value Added Tax (VAT) for which a refund can be requested;
- Debts and debt repayment costs (interests);
- Compensation for losses, debts, or potential future obligations;
- Costs that the applicant reported and were funded under another action or program that receives funds from other public financing sources;
- Purchase of land or buildings, including renovation;
- Purchase of vehicles and leasing;
- Costs of legal and extrajudicial disputes;
- Costs for opening, closing, and managing accounts;
- Losses from exchange rates, fees, and penalties;
- Loans to third parties;
- Non-financial investments;
- Representation costs;
- Recruitment, relocation, or subscription costs;
- Purchase of used or refurbished goods;
- Withdrawing cash from the project account;
- Maintenance costs of patents that did not arise from the project;

- Costs related to development and commercialization;
- Costs of participation and travel to fairs and conferences for the purpose of commercialization;
- Costs of advertising, sales, and/or distribution of products or services.
- Any other costs not listed in the category of eligible costs.

XII. APPLICATION PROCEDURE AND DOCUMENTATION

Applications must be submitted electronically, through the Fund's portal www.programifonda.me as a complete, structured set of documentation within the defined application deadline. Applications submitted in any other form will not be considered.

To apply for this program, applicants must register on the Fund's portal, accessible via the following link: www.programifonda.me. Registration is automatically approved, after which the applicant receives the necessary credentials for accessing the platform (username and password). After registering, the applicant can submit their application directly through the portal. All applicants are advised to download the User Guide for using the portal, available upon registration.

The complete set of necessary documentation for application can be found on the Fund's website. Applicants are expected to download the mandatory documentation and familiarize themselves thoroughly with its contents before starting their application preparations.

Applications can be submitted until the deadline specified in the public call, which is published on the Fund's website.

When an applicant successfully activates their account on the Fund's portal and selects the program line they wish to apply for, submitting an application becomes possible. The applicant can upload all necessary documents for the application and change documents before the final submission to the Fund.

After placing the complete necessary documentation on the Fund's portal, the applicant is obliged to officially submit the application by clicking the "Submit Request" button. This action notifies the Fund that the application is finalized and received.

Applicants should be aware that they must click the "Submit Request" button before the deadline specified in the public call to ensure the application is submitted on time. Additionally, applicants are not allowed to change or modify documents after clicking the "Submit Request" button. Applications submitted after the deadline will not be considered.

By submitting an application, the applicant agrees to all the terms required by the Fund for the application to be considered.

Detailed instructions for submitting an application are available on the Fund's portal.

Only complete applications will be accepted.

APPLICATION DOCUMENTATION

The complete application documentation consists of the following documents:

- Application form
- Financial plan
- Biographies of project team members
- Statement of the applicant
- Statement of the co-applicant
- Co-applicant's statement on non-economic activities
- Statement on (ir)recoverability of VAT for the applicant and co-applicant
- Applicant's related party disclosure
- Balance sheet and income statement for the applicant on December 31, 2023
- Project presentation (for projects that enter the second round of evaluation)

Note: The application documentation must be submitted in the same format as on the Fund's website. The application form, financial plan, and biographies of the project team members must be submitted through the Fund's portal in English language, in the format available on the Fund's website. The application forms are an integral part of this manual, and applicants and co-applicants are required to follow the specific instructions provided in these forms. All statements must be stamped and signed by an authorized person.

The Fund will provide advisory support to all interested applicants and co-applicants regarding the administrative aspects of preparing project proposals for the program through email, telephone, frequently asked questions, info days, and open-door sessions. Please note that the Fund's staff cannot assist in writing the content of the application, nor can they provide advice or qualitative judgments related to the quality of the application content.

XIII. GRANT AWARD PROCEDURE AND EVALUATION

The grant award procedure (hereinafter referred to as the award procedure) involves:

- Assessment of project proposals against administrative criteria;
- Evaluation of project proposals against selection criteria (evaluation);
- Funding decision (the Fund makes a decision based on the evaluators' recommendation).

The award procedure is conducted by the Innovation Fund of Montenegro.

Given the type, complexity, and number of expected project proposals, as well as the demanding and complex nature of the award procedure, the procedure lasts a maximum of 120 days from the closing date of the Public Call. The goal of the checks within the award procedure is to verify the compliance of project proposals with the administrative criteria and selection criteria mentioned below. *In justified cases, the Innovation Fund of Montenegro may extend the duration of the award procedure, about which it will issue a notification.*

1. Assessment of Project Proposals Against Administrative Criteria

The administrative check of project proposals is carried out according to the criteria set below and will be conducted by Fund Managers or other personnel appointed 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 will not proceed to further stages. The administrative check is conducted before the start and continues during the evaluation of project proposals against the selection criteria. After reviewing the administrative criteria, applicants who have not met the administrative criteria will be sent a decision on rejection or exclusion of the project proposal from further processing. The decision to exclude a proposal from further processing due to non-compliance with administrative criteria is made by the Executive Director of the Fund. The decision is final and cannot be contested, except in the case of an administrative error. Complaints are sent to the Fund via email at info@fondzainovacije.me.

Administrative Criteria:

- a) All required documentation listed in section XIII for the application has been submitted and is written in English, except for the statements and balance sheet and income statement. The documentation was submitted within the deadline specified in section X of the Public Call, and the statements of the applicant and co-applicant have been signed and stamped by an authorized person of both the applicant and co-applicant.

- b) The content of the project application is completed using the correct forms (application form, financial plan, biographies of project team members, statements of the applicant and co-applicant, statement on (ir)recoverability for the applicant and co-applicant, co-applicant's statement on non-economic activities, applicant's related party disclosure).
- c) The eligible applicant is an MSME as specified in section II, and the co-applicant is a "research and knowledge dissemination organization" or a "research organization" as specified in section II of the Program.
- d) The application has been submitted electronically via the portal on the Fund's website within the deadline specified in the Public Call and in English.
- e) According to the financial plan, the amount of support requested from the Fund is not less than 50.000 EUR and not more than 200.000 EUR.
- f) The project duration is at least 12 months and no more than 36 months.
- g) The company has a positive capital value in the balance sheet for the year 2023.

2. Evaluation of Project Proposals Against Selection Criteria

All project proposals that have met the administrative criteria proceed to the evaluation process against the selection criteria. The evaluation process is conducted in two rounds.

2.1. First Round of Evaluation

Fund Managers, upon reviewing the project proposals, send each project proposal to two evaluators who are experts in the technology field to which the project belongs.

To enter the evaluation process based on selection criteria, it is necessary for the project proposal to meet the pre-criterion related to the technology readiness level of the innovation.

The pre-criterion is evaluated by evaluators in the first phase.

1. **Technology Readiness Level of Innovation** (product/service/technology/process) at the beginning of the project is clearly described and can be classified between TRL 2 - TRL 3 (not lower than TRL 2 nor higher than TRL 3):

- Yes
- No

An applicant who is assigned "No" by both evaluators is excluded from the award procedure, and no further checks are performed.

Selection Criteria Evaluated by Evaluators are:

1. QUALITY OF THE PROJECT PLAN

1.1. The project activities are logically set, adequately described, and linked to the expected results and clearly defined, specific objectives. The methodology is clear with precisely defined timelines, result monitoring indicators, and a realistic and meaningful financial plan. Ethical issues are adequately identified and addressed.

- a) The project plan is exceptionally well elaborated and defined.
- b) The project plan is very well elaborated and defined.
- c) The project plan is well elaborated and defined.
- d) The project plan is not well identified.
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments:

Are the project activities logically set, well described, and relevant to the expected results?
Is the project organization well defined?

Are the milestones, results, and timeline realistically and clearly set? Are monitoring indicators identified?

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

Is the cost overview in the financial plan well-structured and coherent with the proposed activities? Are the grant financing and own financing clearly and meaningfully presented?

Are measures related to ethical issues adequately presented and addressed?

1.2. The proposed research utilizes new and adequate theoretical concepts, approaches, methodologies, or interventions that contribute to the creation of new or improvement of existing products, services, technologies, or processes as the ultimate goal of the project.

- a) The proposed approach, method, and research activities are exceptionally well-aligned with the expected results and project objectives.
- b) The proposed approach, method, and research activities are very well-aligned with the expected results and project objectives.
- c) The proposed approach, method, and research activities are sufficiently aligned with the expected results and project objectives.
- d) The proposed approach, method, and research activities are not sufficiently aligned with the expected results and project objectives.

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

Questions for comments:

How is the proposed research methodology aligned with the expected project outcomes? Are the methods, samples, and analyses adequate for achieving the project's results and objectives? Is the research consistent, transparent, and adequately ethically set? How are the research results connected to the purpose and goals, as well as to the existing research base? Are the research results precise, clear, and comprehensive?

2. POTENTIAL APPLICABILITY OF RESEARCH AND DEVELOPMENT IN RELATION TO THE DEVELOPMENT OF NEW PRODUCTS, SERVICES, TECHNOLOGIES, OR PROCESSES

2.1. Do the results of the proposed research and development demonstrate potential for the development of new or improved products, services, technologies, or processes?

The results of the proposed research demonstrate:

- a) Exceptional potential for the development of new products, services, technologies, or processes.
- b) Very good potential for the development of new products, services, technologies, or processes.
- c) Good potential for the development of new products, services, technologies, or processes.
- d) Insufficient potential for the development of new products, services, technologies, or processes.
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Is the applicability of the project results to the development of new or the improvement of existing products/services/processes or technologies clearly visible in the project proposal?

Is the impact of the project results on the development of new or the improvement of existing products/services/processes or technologies well described in the project proposal?

Is the potential applicability of the results supported by market analysis or other relevant data?

2.2. *What is the level of novelty of the proposed research and development?*

- a) The proposed research is based on the latest research and technological development results.
- b) A significant portion of the proposed research is based on the latest research and technological development results.
- c) Part of the proposed research is based on the latest research and technological development results, while part is not.
- d) The proposed research is not based on the latest research and technological development results.
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments:

Is there a clear description of the reasons, background, and focus of the proposed research project in the project proposal? Have international achievements in the proposed research area been taken into consideration? Does the proposed project address the shortcomings of existing research? Are the shortcomings of existing research appropriately addressed by the proposed project?

3. OPERATIONAL CAPACITY OF THE APPLICANT, PARTNERS, PROJECT TEAM MEMBERS, AND JUSTIFICATION OF PARTNERSHIP

3.1. *Are the structure and competencies of all project team members needed to implement the project adequate, i.e., are their responsibilities realistically distributed and described, and is the partnership within the proposed consortium justified in relation to the project activities?*

- a) The structure and competencies of all project team members are excellent, and the proposed consortium is fully justified in relation to the project activities.
- b) The structure and competencies of all project team members are very good, and the proposed consortium is very well justified in relation to the project activities.
- c) The structure and competencies of all project team members are good, and the proposed consortium is well justified in relation to the project activities.
- d) The structure and competencies of all project team members are minimal, and the proposed consortium is not sufficiently justified in relation to the project activities.
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Do the applicant and co-applicant have complementary qualifications for carrying out relevant project activities and achieving the anticipated results? Have the applicant and co-applicant ensured adequate human resources needed to implement the project, realistically defined the structure, qualifications, and competencies of the project team members, distributed their responsibilities, planned project management, and are the project team members capable of realizing the business idea?

Do the proposed consortium members have sufficiently qualified staff, adequate systems, and equipment for participation in the project?

Is the proposed composition of the consortium justified in relation to the proposed activities and expected results of the project?

Evaluators assess individual aspects that make up each evaluation criterion, and each aspect is rated on a scale of five numbers - from 1 to 5. Their ratings are equally valued, thus the average value is drawn. Evaluators are expected to add a comment in addition to the grade, providing clear feedback to the applicants.

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

$$K1 = (0,35I + 0,35II + 0,3III)$$

where I, II, III are the mean grades (calculated based on the arithmetic mean for each criterion and based on 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) is calculated by rounding to two decimals.

With the submission of the individual evaluation by the evaluator, the first round of evaluation is completed. Project proposals that were evaluated in the first round with a score exceeding 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, selected project teams will be invited to present their project proposals in front of the Expert Committee. Project proposals that did not pass the minimum threshold (3,00) are sent a Rejection Decision.

The Expert Committee will organize a public presentation of project proposals, to which applicants will be invited to give a standalone presentation of the project.

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

1. IMPACT AND SUSTAINABILITY

1.1 The expected project results have a clear impact on the development of innovation (product, service, technology, or process) as well as its application. In relation to the market, the expected project results or innovation, based on the level of novelty of the solution, demonstrate potential for development:

- a) Radical innovation for the market (or creation of an entirely new market).
- b) Significant improvement over existing market solutions.
- c) Incremental innovations over existing market solutions aimed at creating new versions of products, services, processes, or technologies applicable to new markets.
- d) The expected project results do not demonstrate potential for the development of radical, significant improvement, or incremental innovation over existing market solutions.
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Assess the level and quality of the innovation resulting from the research. Does the proposed research include elements of technological advancement, engineering solutions, or new methods that have the potential to address challenges, improve processes, or create new solutions in the market?

Is the innovation based on the latest research and technological development results? Explain why you consider the innovation to be radical, why it presents an improvement, or is incremental compared to existing market solutions.

1.2. The implementation of the project will have a positive impact after its completion. The expected project results show potential for innovation development in:

- a) The global market.
- b) The regional market.
- c) The local market (Montenegro).
- d) The expected project results do not represent 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:

Evaluate the sustainability of the proposed project activities in terms of their potential to create a foundation for the development of innovative solutions in the market.

Assess the market reach of the product/service/technology/process based on the proposed innovation, i.e., does the innovation have the potential to succeed in the target market where there is little or no competition, and does it have the potential to succeed in the global market? Are the research results adaptable to changing environmental, social, economic, market, and technological conditions? Does the project adequately address risks, uncertainties, and vulnerabilities, and does it promote adaptive capacity and resilience in facing future challenges or changes?

Additionally, are the potential users/customers adequately described, has the competition (substitutes) been analyzed, have potential market entry barriers been identified, and have the regulatory requirements that need to be met, including those related to intellectual property, been presented?

Explanation:

The global market implies the innovation's reach to the worldwide market; the regional market includes neighboring countries (Bosnia and Herzegovina, Albania, Kosovo, Republic of Serbia, Republic of Croatia, and Macedonia), and the local market refers to the market of Montenegro.

2. FINANCIAL PERFORMANCE ASSESSMENT IN RELATION TO THE PROPOSED BUDGET AND FINANCIAL SUSTAINABILITY

2.1. Level of co-financing, appropriateness of fund use, and adequacy of the project budget

- a) The structure of the proposed budget in relation to the expected results is excellent.
- b) The structure of the proposed budget in relation to the expected results is very good.
- c) The structure of the proposed budget in relation to the expected results is good.
- d) The structure of the proposed budget in relation to the expected results is not at a satisfactory level.
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments:

Are the budget items consistent with the proposed activities (e.g., working hours, materials)? Are the proposed costs realistic? Is the cost overview well-structured and coherent with the proposed activities and does it allow for the implementation of project activities within the planned timeframe? Would the budget benefit from any changes or adjustments (e.g., more funds allocated for intellectual property protection, reduction of consulting costs)?

How do you rate the co-financing structure? Are grant financing and own co-financing clearly presented? How do the costs compare with the achieved results?

2.2. *The applicant realistically and clearly describes the financing strategy after project completion.*

- a) The applicant has fully developed the financing strategy.
- b) The applicant has very well developed the financing strategy.
- c) The applicant has well developed the financing strategy.
- d) The applicant has not developed the financing strategy.
- e) The available documentation does not provide enough information for a quality assessment of this criterion.

Questions for comments

Is there a clear plan in the project for securing continued financing from other sources or from own resources? How do you assess the overall prospect of the project to apply for or obtain funds from other sources? Do you believe that the project can secure funding from European funds, and if so, which ones? Do you believe that the project can secure financing from private sources?

Do you believe that the project is capable of securing financing after its completion or during its duration?

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

$$EK = 0,6I + 0,4II$$

where I and II are the Expert Committee's scores for the corresponding criterion, and EK is the Expert Committee's score. The Expert Committee's score is calculated by rounding to two (2) decimals.

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

Using both scores (the Expert Committee's score (EK) and the evaluators' score from the first round (K1)), the final score of the project proposal (KO) is formed based on the following formula:

$$KO = K1 * 0,5 + EK * 0,5$$

The final score is calculated by rounding to two (2) decimals.

For a project proposal to be funded, it must have a final score (K) of at least 3,50.

3. Decision Making on Financing

Based on the final score (KO) of all project proposals, a final ranking list is formed. The Fund managers contact the highest-ranked applications and negotiate the project implementation conditions. Negotiations can relate to financial, legal, and/or content aspects of project proposals, taking into account comments from independent evaluators. Applicants are required to submit the following additional documentation:

1. Documents related to the calculation of staff cost:
 - a. For newly hired individuals, provide a proposal of the contract (unsigned) and the document on the basis on which the salary was determined.
 - b. For existing employees, provide payroll lists for a period of 3 consecutive full months preceding the project proposal.
2. A valid offer for each cost greater than 6.000 euros except for staff costs;
3. Procurement plan.

After the negotiations are concluded, applicants whose projects have been approved are invited to sign the grant agreement.

Before signing the **grant agreement**, the following documentation must be submitted:

1. De minimis aid declaration form;
2. Specimen signatures for the project accounts of the applicant and co-applicant;
3. Proof of settled tax obligations or relevant documents on the reprogram of the tax debt from Tax administration office;
4. A confirmation or certificate that no bankruptcy or liquidation proceedings have not been launched or are conducted against the organization from Commercial Court of Montenegro;
5. Consortium agreement defining:
 - activities to be carried out by each team member and activity schedule;
 - partner contributions to the successful implementation of the project;
 - intellectual property rights, especially regarding access to existing knowledge, use of knowledge, publications, and confidentiality of information.

Finally, after the aforementioned procedure is carried out, the Fund will make decisions on accepting or rejecting projects, which will be delivered to all applicants.

The list of beneficiaries with whom a grant agreement has been signed will be published on the Innovation Fund's website within 10 working days after the agreement comes into effect.

At least the following information will be published:

- name of the user (applicant and co-applicant);
- project name;
- amount of grant funds awarded to the project and the co-financing percentage (aid intensity);
- a brief description of the project.

XIV. PROJECT IMPLEMENTATION AND MONITORING

After the Application is approved for funding and the applicant signs the Financing Agreement with the Fund, the applicant and co-applicant officially become Grant Users. The Fund will then transfer its co-financing for the project to the bank account that the Grant Users will open for the purpose of implementing their project, but only after the Grant Users first make their own co-financing in accordance with the payment dynamics specified in the Financing Agreement. This bank accounts will be used only for transactions related to project activities presented in the corresponding Approved Project Budget. Under standard circumstances, the Fund disburses its co-financing once during the six-month period, at the beginning of that period. If the project requires a specific timeframe, for example, ten months, the first period will be six months, and the second four.

After each completed reporting period during the project implementation, the Fund will conduct necessary monitoring activities to ensure that the spending of project funds falls under acceptable costs defined within this manual and to ensure that the Grant Users are making appropriate progress in their project activities. The Grant Users will be obligated to submit an official report to the Fund in predefined reporting formats provided by the Fund, including necessary supporting documentation as adequate proof of payment.

The Fund will monitor the implementation of each project according to the scope, dynamics, and principles stated in the Project Implementation Guidelines, which are available on the Fund's website. This document provides detailed instructions on how the monitoring process functions and what the Grant Users is obligated to submit to the Fund to justify project costs and describe progress made in each reporting period.

XV. GLOSSARY

Administrative Check	A verification process of the project proposal according to the administrative criteria established by this Program. If all administrative criteria are met, the project proposal proceeds to the evaluation based on the selection criteria; otherwise, it is excluded from further process.
Grant funds	The amount allocated by the Fund for a specific purpose to an eligible applicant (grant recipient). These funds have a precisely defined purpose and must be spent and justified within a specific period and do not need to be returned if properly utilized.
Grant Recipient	The applicant who signs the Grant Agreement with the Fund after being notified by the Fund that the project has been approved for funding.
Experimental Development	Experimental development refers to the acquisition, combination, shaping, and use of existing scientific, technological, business, and other relevant knowledge and skills for the development of new or improved products, processes, or services. This can include activities aimed at the conceptual definition, planning, and documentation of new products, processes, or services. Experimental development may involve the creation of prototypes, demonstration activities, pilot projects, testing, and validation of new or improved products, processes, or services in an environment that reflects real-life operational conditions if the primary goal is the achievement of further technical improvements of products, processes, or services that are not essentially determined. This may also include the development of a commercially usable prototype or pilot project that is necessarily the final market product, too costly to produce only for demonstration activities and validation. Experimental development does not include routine or periodic changes to existing products, production lines, production processes, services, and other ongoing activities, even if these changes mean improvements.
Application Evaluation	Denotes the process of evaluating the Application submitted by the applicant through the Fund's System. The evaluation is based on defined selection criteria.
Industrial Design	Industrial design, as a form of intellectual property, protects the spatial or characteristic features of a product (industrially or craft-produced item) visible during its normal (intended) use. Spatial features are the shape and outline of the product, and characteristic features are patterns, lines, colors, texture, and combinations of these features.
Industrial Research	Industrial research means planned research or critical reviews aimed at acquiring new knowledge and skills for the development of new products, processes, or services, or to achieve a significant improvement of existing products, processes, or services. This includes creating components of complex systems and may involve the creation of prototypes in a laboratory environment or in an environment with simulated interfaces of existing systems and pilot lines if necessary for industrial research, primarily for the verification of generic technology.
Intellectual Property	Intellectual property refers to a set of mostly exclusive rights that protect the results of innovative and creative activities, such as technological inventions, industrial design, or works in the fields of literature, art, science, and other

	related areas, and marks in commercial transactions protecting the source, reputation, or geographical origin of products and services, such as trademarks and geographical indications of origin. Intellectual property protection is aimed at ensuring a fair return on investment in the research and development of new knowledge and technologies, or in the promotion, quality, and reputation of products and services on the market. 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 physical terms, intellectual property has all the characteristics of property, so it can be bought, sold, licensed, exchanged, gifted, inherited, like any other property.
State Aid Intensity	The gross amount of state aid expressed as a percentage of eligible costs before the deduction of taxes or other charges.
Innovative Enterprise	An innovative enterprise is a company: (a) that can demonstrate, based on an evaluation conducted by an independent expert, that it will develop products, services, or processes that are new or significantly improved compared to the current state of the industry, carrying a risk of technological or industrial failure; or (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 grant award year or, in the case of a newly established company that has not completed any business year, in the audit of its current business period certified by an external auditor;
Incremental Innovation	Incremental innovation is a type of innovation that involves gradual but continuous improvement of existing products, technologies, or processes to maintain an existing customer base and maintain a certain level of strategic positioning.
Research and Development	Research and development include systematic creative work aimed at increasing knowledge about nature, man, culture, and society, and the application of the findings in practice. It is divided into fundamental, applied, and development 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 types of contractual relationship. The OECD (Oslo Manual, third edition) recognizes four types of innovations in companies: innovative product, innovative process (technological innovations), and marketing or organizational innovation (non-technological innovations). Innovations can have different degrees of novelty. It does not have to be new to the world; it can be new to the market, the sector, or just to the company/institution.
Process Innovations	Implementing new or significantly improved production or delivery methods (including significant changes in techniques, equipment, or software). Production methods include techniques, equipment, and software used to produce goods or services. Delivery methods refer to a company's logistics and include equipment, software, and techniques for sourcing inputs, managing inventory within the company, or delivering final products. Process innovation does not include minor changes or improvements, increases in production or service capacities by adding production or logistical systems very similar to those already used, cessation of a process, simple replacement or expansion of

	capital, changes resulting exclusively from changes in factor prices, customization for customers, localization, regular, seasonal, and other cyclical changes, and trading in new or significantly improved products.
Product/Service Innovation	Product/Service Innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended use. This includes significant improvements in technical specifications, components and materials, embedded software, user friendliness, or other functional characteristics.
Public Call	A notification to potential applicants for participation in the Program. The announcement of the public call by the Fund is made through a public announcement on the Fund's website and in other public media
Commercialization of Innovative Product/Service	Commercialization is part of the innovation process in which the innovation is put into practical use or introduced into production and the product/service is launched on the market, achieving a breakthrough in the desired market. A prerequisite for starting the commercialization process is the existence of a completed prototype of technology/product/service/system/business model tested in a real environment
State Aid Recipient	Any company or individual engaged in economic activity, participating in the exchange of goods and services, who receives state aid/small value aid, regardless of its form and purpose.
Selection Criteria	Selection criteria (SC) are criteria applied to assess the quality of the project proposal
Micro, Small, and Medium-sized Enterprises (MSMEs)	In accordance with the definition from Article 1 and Article 2 of Annex 1 of the <u>GBER</u>
New Product/Service for the Enterprise	A product is a "new offering from the enterprise" if the enterprise has not produced any other product offering the same functionality, or 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 innovations as long as the process contributes to product development. Projects that do not aim for actual product development are excluded.
New Product/Service on the Market	A product is a "new on the market" if there is no other product available on the market that offers the same functionality, or the technology used by the new product significantly differs from the technology of existing products. Products can be tangible and intangible (incl. services). This includes process innovations as long as the process contributes to product development. Projects that do not aim for actual product development are excluded. The product is new to the market for the enterprise if the enterprise has not previously operated/conducted business in the said market. New markets will be proven by the applicant's statement on operating in specific new markets
Funding Decision	The decision that establishes the obligation to compensate eligible costs of the approved project and serves as the basis for signing the Grant Agreement
Patent	A patent is a right granted for an invention that provides a new solution to a technical problem, typically relating to a specific product, process, or application. An invention can be protected by a patent if it is industrially applicable, new, and has an inventive step. The law defines when an invention is new, i.e., when it is not part of 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 obtained by recognizing the right by the authorized body for granting such a right, i.e., the competent intellectual property office, based on the examination of a patent application describing the invention. Patent protection is an effective business tool that allows its holders (owners) to recover funds invested in the 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.
Market Conditions	Market conditions represent the conditions of a transaction between contracting parties that do not differ from those that would be established between independent enterprises, and there is no indication of prohibited agreements. For every transaction resulting from an open, transparent, and non-discriminatory procedure, it is considered to satisfy the principle of a transaction under market conditions
Applicant	An enterprise that applies for this program in accordance with the eligibility conditions of the Applicant
Start of Project Implementation	Sprovođenje projekta ne smije započeti prije potpisivanja Ugovora o dodjeli granta.
Support Services for Innovation	Implementation of the project must not commence before signing the Grant Agreement
Grant Award Procedure	A comprehensive process for selecting project proposals.
Intellectual Property Right	Intellectual property right encompasses a system of legal instruments that regulate the acquisition of intellectual property and the protection against its unauthorized use
Application	A package of necessary project documentation and data submitted by the Applicant.
Program	Collaborative Grants Program for Innovations
State Aid Program	A legal act based on which, without the need for further implementation measures, state aid can be awarded to previously undetermined beneficiaries defined in the act in a general and abstract manner, and a legal act based on which state aid, not related to a specific project, can be awarded to one or more beneficiaries for an indefinite period and/or in an indefinite amount.
Project/Project Proposal	A specific activity, set of activities, or several sets of activities limited in time and place, aimed at achieving a particular goal for which state aid is sought or used, contributing to achieving the indicators specified in the Program
Project Budget	The project budget contains planned amounts and sources of financing for each of the planned project costs, distributed by categories, and is an integral part of the application. The applicant specifies the costs that will occur in the project according to the cost categories indicated in the budget table when filling out the project application. 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-series products usually intended for testing and trials before transitioning to serial production. The prototype does not have to technically or optically correspond to the finished serial product but serves as a basis
Radical Innovation	Radical innovation is defined as an innovation that has a significant impact on the market and the economic activity of companies in that market. This

	concept focuses on the impact of innovations, as opposed to their novelty. The impact can change the market structure, create new markets, or make existing products obsolete
Smart Specialization Strategy (S3)	A national strategic document that establishes development priorities, aiming to build competitive advantages by linking one's strengths in research and innovation with the needs of the economy, responding coherently to growing opportunities and market development. It is 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 or mapping of the economic, innovative, and scientific potential in Montenegro with the goal of concentrating and connecting research and innovation resources with a limited number of determined priority economic areas.
Knowledge and Technology Transfer	The process of transferring economically applicable technological solutions, knowledge, and experience between scientific institutions and the economy, as well as between business entities in the domestic or foreign market. Knowledge and technology transfer represents the transfer of economically applicable technological solutions, knowledge, and experiences from one entity (technology provider) to another entity (technology acquirer)
TRL (Technology Readiness Level)	Refers to the readiness level of a technology for its commercial application. According to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions: "A European strategy for key enabling technologies – A bridge to growth and jobs," COM(2012) 341 final version, June 26, 2012, TRLs are: TRL 1: Basic (fundamental) research TRL 2: Technology concept formulation TRL 3: Experimental proof of concept TRL 4: Technology validation in lab TRL 5: Technology validation in a relevant environment TRL 6: Technology demonstration in a relevant environment TRL 7: Technology demonstration in an operational environment TRL 8: Fully functional and qualified technology system TRL 9: Proven technology in competitive production
Costs	Costs are the amounts of resources expressed in money, used for the purpose of achieving one or more project goals
Contract Research	Contract research involves activities of scientific research institutions based on knowledge and experience (know-how) in the field of science, ordered by a business or public sector entity for the development of new products, services, or new technologies
Grant Agreement	A contract concluded between the User and the Innovation Fund that establishes the maximum amount of grant funds awarded for the implementation of the project, as well as the rights and obligations of all parties and other financial and implementation conditions of the Project.
Highly Qualified Staff	Means staff with a university education and at least 5 years of relevant professional experience, which may include doctoral education
Validation	Validation of ideas is one of the first steps towards creating innovations. The purpose of idea validation is to confirm that the idea will indeed be viable in

	the market by identifying and testing the most important assumptions related to the idea
Intellectual Property Management	The process of managing intellectual property starts from a business idea of a company or the idea of an invention or technical improvement of a product or production process. It involves stages of selecting the best way to protect intellectual property, carrying out the protection process, and lasts through the entire process of commercialization of any form of intellectual property, including technology licensing or complete transfer of intellectual property rights. Intellectual property management also includes maintaining the achieved protection valid and monitoring intellectual property rights infringements.
Significant Improvement of 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 its characteristics or intended use. This includes significant improvements in technical specifications, components and materials, embedded software, user friendliness, or other functional characteristics. Significant improvements do not include minor changes or improvements, customization of products/services to individual customers that do not involve significant changes in characteristics or intended use, regular, seasonal, and other cyclical changes, and trading in new or significantly improved products/services.