

## **INNOVATION FUND OF MONTENEGRO**

**publishes**

### **PUBLIC CALL FOR SUPPORT TO EARLY STAGE DEVELOPMENT OF STARTUPS<sup>1</sup>**

#### **I SUBJECT OF PUBLIC CALL**

The Early Stage Startup Development Support Program (hereinafter: the Program) is designed to support highly promising teams that aim to validate their business ideas and demonstrate the future utility of their new product, service, process or technology (hereinafter: the product) through the development of a first prototype or minimum viable product (MVP).

Program beneficiaries will receive grants and mentoring support that will help them conduct the first phase of in-depth market research, begin product development, establish the concept of their business model, and begin preparing for the next phase of fundraising and development.

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

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

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

In addition to mentoring support, the Innovation Fund of Montenegro (hereinafter: the Fund) will organize a series of specially targeted workshops that will help users better understand their business environment and gain knowledge about various aspects of building a successful startup in the early stages.

During the duration of the Program, it is expected that beneficiaries will be able to achieve the following results:

- Validation of the idea and market needs in a real market environment;
- Demonstrating the basic technical performance of products/services (through the creation of a prototype, MVP or pilot project);
- Creating an efficient business model.

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<sup>1</sup> This is an unofficial translation. In case of any discrepancies, the version in the official language of Montenegro shall prevail.

Completion of these tasks should provide the Program Beneficiary with the necessary knowledge that will help them refine and verify the compliance of their products with the market.

## **II ACCEPTABLE APPLICANTS**

Eligible applicants for this program are:

- Teams of 2 to 5 members
- or
- Privately owned micro-enterprises (in the form of a limited liability company)<sup>2</sup>, founded in Montenegro<sup>3</sup> no longer than two (2) years at the time of application submission.

In cases where the application is submitted by a team, if funding is approved, the Applicant will be required to establish a company in accordance with the Law on Business Companies in Montenegro. The newly established company must be 100% owned by at least two proposed team members. The percentage of ownership among the team members depends on their internal agreement.

This program is focused on supporting young, highly motivated teams who want to start their entrepreneurial career in the startup world. The program is ideally suited to teams and startups that offer scalable technical solutions to relevant market problems and who strive to build a successful business based on these ideas.

The program is open to applications from all sectors of the economy and all areas of science and technology. However, it is important to note that this program is aligned with the Smart Specialization Strategy of Montenegro 2019-2024.<sup>4</sup>, which focuses on four main priority domains:

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

Until the adoption of the new Smart Specialization Strategy (2026-2031), Montenegro has ensured the sustainability of the priorities and measures from the previous strategic cycle.

The Fund will, depending on the quality of the projects, allocate at least 70% of the available budget for this public call for projects from the above-mentioned priority areas.

### **Eligibility criteria**

An applicant who meets any of the following criteria may NOT apply or be funded:

- An applicant who has raised EUR 25,000 or more from the Fund;

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<sup>2</sup> What are micro companies according to the definition in Annex 1 UrGBER edbe -[https://azzk.me/wp-content/uploads/2022/11/Prilog\\_7A.pdf](https://azzk.me/wp-content/uploads/2022/11/Prilog_7A.pdf), page 70.

<sup>3</sup> In accordance with the current Montenegrin Law on Business Companies

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

- An applicant who has raised 50,000 euros or more from private investors;
- An applicant who has had EUR 100,000 or more in revenue in any year since the time of incorporation;
- The applicant is partially or fully owned by another private or public (state) company or entity;
- Any of the founders or proposed team members is a majority owner or has control over another small, medium or large enterprise in Montenegro or abroad<sup>5</sup>, with the exception of private micro companies;
- Any of the founders or proposed team members who, at the time of submitting an application for this program, have 50% or more ownership in the company implementing a project financed under any of the Fund's programs (except for Innovation Vouchers).

Resubmission of amended and improved applications that have previously been considered for evaluation and rejected under this Program is permitted. However, substantially the same application may only be resubmitted once (for more details, see the Early Stage Startup Program ("Program Manual")).

### III FINANCING AMOUNT

For co-financing innovative projects (hereinafter referred to as: projects) under this Public Call, the Fund has allocated a budget in the total amount of 400,000 euros.

The grant funding that the Fund can award to someone is limited to a maximum of 30,000 euros per project, and the Fund's funding can cover a maximum of 90% of the total project budget (excluding the costs of mentoring services). At least 10% of the total project budget<sup>6</sup> (excluding the cost of mentoring services) should be provided by the beneficiary from any private source as a cash contribution. In-kind contributions will not be accepted.

**Also, each user will receive up to 5,000 euros of additional funds** which will be allocated to cover the costs of mentoring support services. The beneficiary pays mentoring support directly to the mentor from a special line in the project budget. These funds cannot be used for other purposes.

**De minimis regulation on state aid** applies to the financing received by the beneficiary from the Fund through this programme. De minimis aid declaration form – will need to be submitted after the selection of teams/companies as final beneficiaries of the Programme, before the signing of the financing agreement. (More information can be found in the Annex to the Programme Manual).

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<sup>5</sup> Control means the right or ability of one person/entity, either independently or in cooperation with other persons/entities, to have a controlling influence on the operations of another entity through a share in the capital, a contract or the right to appoint the majority of directors or members of the Supervisory Board, in accordance with the applicable Law on Business Companies of Montenegro (Official Gazette No. 65/20 of 03.07.2020).

<sup>6</sup> For example, in the event that the beneficiary requests a maximum amount of 30,000 euros from the Fund, and the total project budget (excluding mentoring costs) is 33,333 euros, the required mandatory co-financing of 10% will be 3,333 euros. Conversely, if the total project budget proposed by the beneficiary is 35,000 euros, the Fund will be able to provide a maximum of 30,000 euros, while the beneficiary will have to provide the remaining 5,000 euros.

#### **IV ELIGIBLE COSTS**

**The following categories of costs are considered eligible for funding:**

- Salary costs (salaries/fees for staff engaged in the project; may include all contributions and income taxes for staff working on the project);
- Office space rental costs and basic business expenses (accounting services, legal services, etc.);
- Costs of equipment and resources required for development (not including used or second-hand equipment and resources);
- Costs of external business development services or research and development services;
- VAT on eligible costs, for which the applicant cannot claim its refund. Before signing the contract, the Fund will ask the selected startups to submit a VAT declaration (Statement of status regarding the (non)refundability of value added tax).

#### **V INELIGIBLE COSTS**

**The following costs and activities are not eligible:**

- All costs incurred before the date of signing the contract;
- Debts and debt repayment costs (interest);
- Compensation for losses, debts or potential future liabilities;
- The costs declared by the applicant and financed under another action or program that receives funds from other public sources of funding;
- Purchase of land or buildings, including renovation;
- Vehicle purchase and leasing;
- Costs of judicial and extrajudicial disputes;
- Account opening, closing and maintenance costs;
- Currency exchange losses, fees and penalties;
- Loans to third parties;
- Non-financial investments;
- Entertainment expenses;
- Recruitment, relocation or subscription costs;
- Procurement of used or refurbished goods;
- Costs of maintaining patents that did not arise from the project;
- All other costs that are not listed in the category of eligible costs.

#### **VI PROGRAM DURATION**

Beneficiaries are required to complete the implementation of their project activities within 6 months. In the event of significant deviations from the original idea or unforeseen events that the Fund could consider as force majeure, the implementation may be extended for a period of up to 3 months as an extension without additional costs. The extension must be formally requested and justified by the beneficiary before the expiry of the agreed period of the original project and this request must be formally approved by the Fund.

## VII PROJECT APPLICATION CONTENT

The complete application documentation consists of the following two documents:

- **Signed statement of the applicant** (and stamped in case the company is the Applicant);
- **Application form** ("*Application Form*") which must be filled out and submitted in PDF format. This form contains:
  - Details of the identified market problem, the proposed solution and its potential areas of use;
  - Short biographies of co-founders and key personnel who will be engaged in the project (maximum 5 people);
  - Simplified budget;
  - A video recording of a maximum duration of 3 minutes, which is a short presentation ("elevator pitch") of the product/service concept and team members. This video presentation should not only contain sketches and numerical indicators. It should describe how the problem was identified, the idea behind the product/service/technology and an explanation of why the solution would be adequate for a wider range of users. This video recording must be recorded in English and a link to the video must be provided in the application form (Vimeo, YouTube or similar can be used). The applicant bears full responsibility for the quality of the video and its accessibility to the evaluators.

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

The Fund will provide advisory support to all interested parties via e-mail, telephone, through frequently asked questions, information sessions and/or online open houses regarding the administrative aspects of preparing applications.

## VIII EVALUATION PROCESS AND FUNDING DECISION

The Fund uses a professional Expert Committee (EC) composed of external experts and investment professionals with extensive international expertise in working with startups in a range of different industries to select the most promising applications. The following chapters describe all steps of the evaluation process.

### **Assessment of the acceptability of project applications against administrative criteria and initial screening of applications**

All received applications will be subject to administrative and eligibility checks conducted by the Fund managers, or other persons employed by the Fund, as determined by the Executive Director. The application must comply with the rules described in the Public Call and the Manual, in order to be considered for further evaluation, must be submitted in a timely manner on the appropriate forms, while the applicant must meet all the requirements described in the section "Eligibility Criteria". During this evaluation phase, the applicant may be asked to provide additional information necessary for the Fund to determine the fulfillment of certain eligibility conditions.

In order to select the best project proposals, the Fund managers will conduct a first screening of all eligible applications. During this step, the program managers will assess whether the content of the application is satisfactory and whether it provides sufficient information regarding the established evaluation criteria (in particular regarding the explanation of the product/service/technology, its

competitive advantages or the identified market potential that the project proposal must describe in detail).

Applicants who have not met the requirements of the administrative check and the first stage of screening will be notified via e-mail/portal, after the Fund completes the assessment of all submitted applications.

The administrative and eligibility verification checklist is an integral part of the application form for this program.

The above procedure is strictly applied and any project application that does not meet all of these criteria and prerequisites specified in the Program will not be included in the further procedure.

### **Pre-selection phase (first evaluation phase)**

Applications that pass the administrative and eligibility checks and the first screening will qualify for the next evaluation phase conducted by the Expert Committee (EC). The EC will evaluate all applications based on the content specified in the application form against the following 3 evaluation criteria:

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

As a result of the pre-selection phase (first evaluation phase), applications that receive at least 3 or more out of 5 (average score of 3 criteria) will be qualified for the final evaluation phase (final evaluation phase).

At the end of the pre-selection phase, all candidates will be informed of the outcome via email/portal. Candidates who score less than 3 and therefore do not enter the final selection phase will receive written comments from the EC on their project proposals in accordance with the evaluation criteria.

### **Final Selection Phase (Final Evaluation Phase)**

In the final evaluation phase, all pre-selected Applicants will be required to submit their project presentations (pitch deck) to the Fund, and then present their projects to the Fund's Expert Committee. The format of this pitch event is based on a 15-minute session per applicant, during which they present their projects and participate in a question and answer session with the EC.

Based on the results of the presentation and the overall evaluation of the projects, the Expert Committee will evaluate all previously selected applications and provide a final recommendation for a funding decision, for those applications that score a minimum of 3.5 out of 5.

### **Environmental and social impact assessment**

Taking into account the nature of the activities envisaged by the Early Stage Startup Support Program, which primarily relate to the validation of business ideas, the development of the first prototype or minimum viable product (MVP), market research and the establishment of a business model, and which do not involve physical interventions in the environment or production processes with potentially harmful impacts, the reported activities are not considered to be a significant source

of risk to the environment and society. All applications considered for support will be subject to review by the Fund to determine whether the proposed activities are on the Prohibited List. Applications that include activities on the Prohibited List will be excluded from further consideration.

### **Final funding decision**

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

All applicants who participated in the final phase of the evaluation process will be informed of the outcome via the portal and will receive written comments from the EC. The list of projects selected for co-financing will be published on the Fund's website.

## **IX CONTRACTING AND SIGNING OF THE FINANCING AGREEMENT**

After being notified by the Fund that their project proposal has been approved for funding, the applicant will be offered to sign a funding agreement with the Fund.

**Beneficiaries who have applied as teams are required to establish a business company taking into account all the requirements listed in the Eligibility Criteria section.**

Before signing the financing agreement, the Program Beneficiary must submit the following documents to the Fund:

- Proof that the beneficiary is registered in the Central Register of Business Entities of Montenegro (CRPS);
- Data of the bank account to which the funds will be deposited;
- Other documents that the Fund may request (de minimis aid declaration form, VAT (non) recoverable declaration, declaration of related parties, proof that all regular tax and contribution payment obligations have been fulfilled, that the company is not in pre-bankruptcy, bankruptcy, liquidation proceedings, that it has suspended regular business activity, etc. in accordance with national regulations, etc.);

The Fund will assign one mentor from the list of mentors to each beneficiary after the matching session. Meetings are organized after the Fund informs beneficiaries that their projects have been approved for funding. Details on cooperation with a mentor are explained in the Program Manual.

After signing the Financing Agreement, the program beneficiary will begin project implementation.

## **X APPLICATION DEADLINE**

Applications for the Public Call are submitted through the Fund's portal <https://programifonda.me> from April 23, 2025, and no later than June 3, 2025 (by 3:00 p.m.).

## **XI HOW TO SUBMIT AN APPLICATION**

To apply for the Public Call, the applicant must first register on the Fund's portal via the link [www.programifonda.me](http://www.programifonda.me). The request for account registration is automatically approved, after which the Applicant receives the necessary credentials via email. After registration, the Applicant can submit their application directly on the portal.

The project application as a team is submitted via the portal by creating a request as a natural person (by entering the JMB in the applicant field), while for already established companies, an application is created as a legal entity (by entering the PIB in the applicant field).

After adding the required documentation, the application is submitted by clicking the "Submit Application" button. The applicant will automatically receive an e-mail notification of successful submission of the application.

## **CONTACT**

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