



MANUAL

FOR THE PROGRAM FOR

STRENGTHENING THE INNOVATION OF

NEWLY ESTABLISHED OR EXISTING

MICRO, SMALL AND MEDIUM-SIZED

ENTERPRISES¹

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

April, 2025.

CONTENTS

I.	Program background.....	3
II.	About the Program for Strengthening the Innovation of Newly Established or Existing MSMEs3	
III.	Eligible applicants.....	5
IV.	Eligibility of partners and partnership formation.....	6
V.	Number of Applications per Applicant.....	6
VI.	Project duration.....	6
VII.	Funding amount and aid intensity.....	6
VIII.	Obligations relating to small value aid.....	7
IX.	Double funding.....	10
X.	Eligible areas of research and development.....	10
XI.	Eligible project activities.....	11
XII.	Ineligible project activities.....	12
XIII.	Eligible costs of the applicant	13
XIV.	Ineligible costs.....	15
XV.	Procedure for awarding grants	16
XVI.	Documentation required for the implementation of the Program.....	26
XVII.	Application documentation	27
XVIII.	Indicators at the project and program level for strengthening the innovativeness of newly established or existing SMEs.....	27
XIX.	Explanation of terms	32

I. PROGRAM BACKGROUND

The Innovation Fund implemented the Program for Strengthening the Innovation of Newly Established or Existing Micro, Small and Medium-Sized Enterprises for the first time in 2023. Through this Public Call, and after a two-stage international evaluation, eight grants were approved with a total value of 1,233,110 euros, of which the total co-financing of the Fund amounted to 986,488 euros, while the co-financing of the private sector on projects amounted to 246,622 euros. Due to the significant interest of the business sector in participating in this Program and its positive effects in terms of improving the development of market-oriented products, services and technologies with great potential for commercialization and application on the market, all with the aim of stimulating the competitiveness of the Montenegrin economy, the Fund decided to continue the implementation of this Program with an emphasis on later stages of technological development whose technological level of project development is in the experimental development phase.

The proposed program should enable a "higher" quality of innovations that arise within companies engaged in innovative activities, as well as to encourage non-innovative companies that are interested in introducing and implementing innovations. Within the proposed program, innovations will be enabled through their own research and development, as well as contracted research. The program will also encourage newly established companies that have a product, service, technology or process of a higher level of technological readiness, i.e. that have undergone the pre-acceleration and acceleration process.

II. PROGRAM GOALS

Purpose of the program:

- a) By investing in pre-commercial activities of newly established companies and existing micro, small and medium-sized enterprises, the aim is to encourage the development and improvement of products, services and technologies that are new or significantly improved compared to those already available on the market with the aim of commercialization, and which will contribute to increasing the company's revenue.
- b) The development of process innovations is also encouraged² i.e. a new or significantly improved way of doing business in a business environment. Process innovation is the introduction of a new production technology that speeds up the production process, increases precision and quality or significantly reduces production costs. Projects of newly established and existing MSMEs whose technological maturity is beyond the proof-of-concept phase, but which are not yet ready for the market, i.e. those whose technological level of project

² The term process refers to the combination of technologies, skills, machines and objects of the business environment, which are used to produce, deliver or maintain and support a product or service.

development is between TRL 5 and TRL 8, i.e. are in the experimental development phase, will be supported.

Program goals

Projects must result in the development of new or significantly improved **products, services, technologies or processes resulting from research and development activities**. Research and development activities may be the company's own³, contractual⁴ or a combination of the above. All projects to be funded must contribute to the main and some specific objectives of the program.

The main goal of the program is to increase the innovativeness of micro, small and medium-sized enterprises (hereinafter referred to as MSMEs) by introducing process innovations or developing new or improved market-oriented products, services or technologies.

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

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

Results which are expected immediately after the completion of the implementation of the projects are as follows:

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

³ R&D activities take place within the company

⁴ R&D activities acquired from other parties on market terms

III. ELIGIBLE APPLICANTS

This Program will finance:

- a) newly established companies
- b) existing companies

which fall into one of three categories:

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

Companies are required to meet the following conditions:

- ✓ that they are in accordance with the definition in Annex 1 of the GBER Regulation⁵;
- ✓ that they are registered in the Central Register of Business Entities of Montenegro;
- ✓ that they have their seat on the territory of Montenegro;
- ✓ that they have fulfilled all obligations for regular payment of taxes and contributions;
- ✓ that they are not in pre-bankruptcy, bankruptcy, liquidation proceedings, have suspended regular business activity or similar in accordance with national regulations;
- ✓ that the balance sheet as of December 31, 2024 has a positive capital value (in the case of newly established companies established in the year in which the project application is submitted, whose financial reports have not yet been approved, cross-sectional financial statements are submitted - balance sheet and income statement from the moment of establishment of the company, up to and including the last completed month, in order to determine based on them whether the company belongs to the MSME segment and has a positive capital value).
- ✓ that it has not used financial assistance from public national and international funding 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 costs, it is necessary to submit a statement stating the amount and status of this support.

⁵ https://azzk.me/wp-content/uploads/2022/11/Prilog_7A.pdf, page 70.

Newly established companies are those that were founded⁶ no more than five years prior to the date of submission of the project proposal, which does not apply to existing enterprises that will be closed and reopened for the purposes of the Public Call or to those that were created through mergers or spin-offs. The enterprise must have been established at least thirty (30) days prior to the date of submission of the project proposal.

IV. ELIGIBILITY OF PARTNERS AND PARTNERSHIP FORMATION

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

V. NUMBER OF APPLICATIONS PER APPLICANT

An applicant under the Call may submit more than one project proposal, with the note that each grant recipient may only be awarded funds for one project, and the same costs may under no circumstances be financed twice from the state budget, Union programs, international sources, or other state aid providers.

VI. PROJECT DURATION

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

VII. FUNDING AMOUNT AND AID INTENSITY

Grants

The Innovation Fund of Montenegro has allocated funds in the total amount of EUR **1,200,000** for financing innovative projects under this Public Call.

The lowest and highest grant amounts that can be awarded to an individual applicant and project are:

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

The Fund reserves the right not to allocate all available funds, as well as to allocate more funds if they become available.

⁶The date of establishment is the date of entry in the appropriate register.

Intensity of assistance

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

Grants awarded to MSMEs under this Program represent de minimis aid.

Co-financing by the applicant

The applicant undertakes to secure funds for co-financing the project. Co-financing may come from its own resources or by securing financing in another way. The funds may not come from non-refundable public sources, nor from European Union funds.

The applicant may co-finance from its own resources all eligible costs in accordance with point 15 of this program, i.e. costs related to eligible project activities.

VIII. OBLIGATIONS RELATING TO SMALL-VALUE AID

De minimis aid for activities under this program is granted in accordance with the rules for granting de minimis aid within the meaning of Commission Regulation (EU) No. 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.⁷ (hereinafter: de minimis Regulation), which is applied in Montenegro in accordance with the Rulebook on the list of rules on state aid - attachment 7⁸.

The upper limit of de minimis aid that can be granted to a single company, i.e. micro, small and medium-sized enterprises under 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 aforementioned ceiling of EUR 300,000 applies per company regardless of the form of de minimis aid or the objective intended to be achieved, as well as regardless of whether the aid granted is financed in whole or in part from funds originating from the European Union or from Montenegro.

For the purposes of the ceiling laid down in Article 3(2) of the de minimis Regulation, the aid shall be expressed as a non-refundable grant. All amounts applied are gross amounts, i.e. amounts before deduction of taxes and other charges. Aid paid in several instalments shall be discounted to the value of the aid at the time of its granting. The interest rate applied for the discounting shall be the discount interest rate applicable at the time of granting the de minimis aid.

If the granting of new de minimis aid could exceed the relevant de minimis aid ceiling, none of that new aid may be granted under this Program.

⁷ OJ L 2023/2831, 15.12.2023.

⁸ Sl. sheet CG 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 to have been granted on the date of the decision to grant de minimis aid by the Innovation Fund, regardless of the date of payment of de minimis aid to the company.

De minimis aid under this Program is granted in accordance with the rule set out in Article 2(2) of the de minimis Regulation, according to which all entities controlled, in law or de facto, by the same entity are considered to be a single undertaking. The term "single undertaking" includes all undertakings which are in at least one of the following relationships:

- a) one company has a majority of the voting rights of shareholders or members in another company;
- b) one enterprise has the right to appoint or dismiss the majority of the members of the administrative, management or supervisory body of another enterprise;
- c) one enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract concluded with that enterprise or in accordance with the provisions of its founding act or statute;
- d) one enterprise that is a shareholder or member in another enterprise, independently controls, in accordance with an agreement with the other shareholders or members of that enterprise, a majority of the voting rights of the shareholders or members in that enterprise.

Enterprises that are in any of the relationships listed in points a) to d) through one or more other enterprises are also considered to be a single business entity.

The applicant is obliged to submit a Statement on all companies with which he is associated according to the definition of a single company.

Excluded activities and products

De minimis aid from this Program cannot be awarded to:

- a) for activities aimed at exports to third countries or Member States of the European Union, i.e. aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs related to the export activity ⁹;
- b) if the aid is conditional on the use of domestic goods and services instead of imported goods and services.

In the case of mergers and acquisitions of undertakings, in accordance with Article 3(8) of the de minimis Regulation, when determining whether the relevant maximum applicable de minimis ceiling is respected with any new de minimis aid granted to a new undertaking or to an undertaking being acquired by another undertaking, account shall be taken of any previously granted de minimis aid granted to any of the undertakings involved in the merger. De minimis aid lawfully granted before the merger or acquisition shall continue to be lawful.

⁹ De minimis aid for the costs of participating in fairs, or for the costs of studies or advisory services necessary for the introduction of a new or existing product to a new market in other countries, does not constitute aid for exports.

If a company is divided into two or more separate companies, the de minimis aid granted before that division shall be allocated to the company that benefited from it, which is in principle the company that took over the activities for which the de minimis aid was used. If such allocation is not possible, the de minimis aid shall be allocated proportionally, based on the book value of the equity of the new companies on the date on which the division takes effect.

Cumulation of state aid

De minimis aid granted under this program may be cumulated with de minimis aid granted for the provision of services of general economic interest up to the ceiling set out in Commission Regulation (EU) No. 2023/2832 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest.¹⁰

De minimis aid granted under this Program may not be cumulated with State aid for the same eligible costs or with State aid for the same risk financing measure if such cumulation would exceed the maximum applicable aid intensity or amount determined in the specific circumstances of each individual case by a block exemption regulation or a decision of the Competition Protection Agency. De minimis aid that is not granted for certain eligible costs or cannot be attributed to them may be cumulated with other State aid in accordance with a block exemption regulation or a decision of the Competition Protection Agency.

Control and monitoring of low value aid

The Innovation Fund as a low-value aid provider (*de minimis aid*) for activities envisaged by this Program, before granting that aid, it shall inform the applicant in writing of the envisaged amount of de minimis aid expressed in the form of gross monetary value (subsidy equivalent), as well as that the beneficiary is a de minimis aid, referring to the *from minimal* The Regulation, stating its title and information about its publication.

The Innovation Fund grants small-value aid from this Program only after receiving a statement from the applicant, in written or electronic form, on all de minimis aid received in Montenegro from any competent authority in the previous two and in the current fiscal year (the Declaration Form is in the Annex to this Program).

The Innovation Fund shall grant new de minimis aid in accordance with the de minimis Regulation only when it determines that this will not increase the total amount of de minimis aid received by the applicant to a level exceeding the relevant ceiling referred to in Article 3, paragraph 2 of the de minimis Regulation and that all conditions provided for in this Program and the de minimis Regulation for the granting of such aid have been met.

¹⁰Official Journal L, 2023/2832, 15.12.2023, p. 9.

The Innovation Fund shall keep records, i.e. collect and record all information regarding the granting of de minimis aid under this program and the fulfilment of all conditions from the de minimis Regulation. Records of de minimis aid granted under this Program shall be kept for 10 fiscal years from the date on which the last individual aid under this Program was granted.

The Innovation Fund shall, upon written request within 20 working days or such longer period as may be specified in the request, submit to the Competition Protection Agency all information that the Agency deems necessary to assess whether the conditions of the de minimis Regulation have been met, and in particular the total amount of de minimis aid received by any undertaking pursuant to that Regulation or other regulations on de minimis aid.

IX. DOUBLE FUNDING

The principle of prohibition of double financing implies that it is necessary to avoid double financing of the same costs from the national budget, Union programs, international sources and other providers of state aid. An individual applicant may only be awarded funds once for each activity or action, and the same costs may under no circumstances be financed twice from the above-mentioned sources.

Applicants may not seek/receive funds from other public sources for the costs to be reimbursed within the framework of the applied for and for the financing of the selected project.

If the applicant has applied for funding from other state aid providers for the same eligible costs, a statement stating the amount and status of this support is required. All applicants recommended for funding will be asked to review all project proposals that are in the funding phase or are in the evaluation phase.

X. ELIGIBLE AREAS OF RESEARCH AND DEVELOPMENT

This Program is aligned with the strategic priorities set out in the Smart Specialization Strategy (2019-2024):

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

At least 70% of the available funds of the Fund within this Program will be allocated to applications in the listed priority areas of the Smart Specialization Strategy of Montenegro, depending on the availability of quality projects.

The Smart Specialization Strategy of Montenegro for the period 2019-2024 is available at the following link: [Smart Specialization Strategy of Montenegro 2019-2024 \(www.gov.me\)](http://www.gov.me). 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.

XI. ELIGIBLE PROJECT ACTIVITIES

Eligible activities that can be financed under this Program are:

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

Activities 1, 2 and 3 may include the following:

- adapting and completing the innovation (product/service) to market requirements, including testing and incorporating test results into the final product/service and optimization,
 - transfer of marketable technological solutions, knowledge and experience (knowledge and technology transfer) including related advisory services and employee training,
 - demonstration and evaluation of innovation in an operational environment,
 - product design,
 - protection and management of the intellectual property in question, including applications for recognition of rights and implementation of the procedure for recognition of intellectual property rights and development of a strategic plan for the protection and management of intellectual property.
4. Commercialization of research and development results (preparation of product/service launch)

It may include the following:

- 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,
- production preparation and investment in trial production, zero series,
- marketing plan and revision of the business and marketing plan,

- operational marketing activities directly related to the commercialization of research results and the launch of products/services on the market (e.g. customer analysis, attending fairs, preparing promotional materials, presentations, etc.),
 - preparations for the next investment cycle and attracting additional funding.
5. Training staff in newly established companies on investment readiness.
As part of the project, staff of start-ups are required to undergo training in specific skills for start-ups (such as risk management, strategic thinking and planning, ability to face challenges and demands of different nature, skills related to business planning, human resource planning, financing needs, etc.) for the purpose of building capacity and readiness for investments.
6. Training of staff in newly established companies and existing companies for research and development activities.
As part of the project, staff of start-ups and existing companies have the opportunity to be trained in research and development or innovation skills, or in skills related to the topic of the proposed project proposal. Training refers to attending professional meetings and conferences.

Activities 4. 5. and 6. are only eligible if they are directly linked to the project and activities listed under points 1. and/or 2. and/or 3.

7. Additional activities eligible for the entire duration of the project may include:
- new employment and engagement of existing staff within the company,
 - engagement of external highly qualified and other professional staff,
 - investments in instruments and equipment.
8. Activities related to contractual obligations:
- project audit

XII. INELIGIBLE PROJECT ACTIVITIES

Ineligible project activities are activities that fall within the applicant's regular business operations, research and development activities and costs that are technologically advanced below the permitted level of TRL 5 or above TRL 8, cash withdrawals from the project account, activities to place the final product, service or technology on the market¹¹, as well as activities related to increasing the applicant's production and other capacities in the event that the product/service/technology/process cannot be considered innovative.

All other activities that are not listed in the Acceptable project activities chapter are also unacceptable.

¹¹ The activities of placing a product, service, or technology on the market refer to activities of promotion, distribution, etc.

XIII. ELIGIBLE COSTS OF THE APPLICANT

The applicant's eligible expenses are:

Direct costs

1. **Staff salary costs** (gross ²) employee ¹² with the applicant and the new employees who will work on the implementation of the project.

The gross 2-year salary is the actual current salary together with social contributions of the employees expected to work on the project. The gross salaries cover the work of the Project Manager and the expert team (employees involved in the project) provided that they are employees of the applicant with whom they have an Employment Contract or other agreement in accordance with the Labor Law or the Law on Obligations. Other salary supplements such as jubilee awards, gifts for children and allowances are not eligible for co-financing from the Program funds.

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

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

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

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

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

¹² The terms used in this Program for people in the masculine gender include the same terms in the feminine gender.

- b) exclusively in the case where none of the applicant's employees is assigned to the same or similar job position that would correspond to the job position of the newly employed person, the annual gross salary costs for newly employed people are calculated according to the applicant's work rules, some other document determining the salary levels in the applicant's institution or by agreement in accordance with the scope and demands of the job position.

Total co-financing by the Fund in this category of costs cannot exceed 70% of the awarded grants.

- 2. **Equipment and material costs** (procured specifically for the needs of the project; includes purchased equipment, costs of materials, consumables as well as rented equipment, online services and tools). It is not possible to purchase reconditioned/used equipment, although it can be rented for the needs of the project.

The costs of instruments and equipment are eligible to the extent and for the period in which they are used for the project. The item equipment includes equipment with a unit value exceeding EUR 300.00 excluding VAT. The applicant should ensure that the equipment is truly necessary for the project and prove that the project could not be implemented without it.

Total co-financing by the Fund in this category of costs cannot exceed 50% of the awarded grants.

- 3. **Costs of materials and small inventory for project needs.** Small inventory refers to materials and devices whose unit value is less than EUR 300.00 excluding VAT.

Total co-financing by the Fund in this category of costs cannot exceed 10% of the awarded grants.

4. **External service costs:**

- a) Costs of innovation advisory services (advisory services and assistance in the area of knowledge transfer, acquisition, protection and exploitation of intangible assets, application of norms and regulations covering them),
- b) Costs of support services for innovation (referring to the provision of databases, market research, laboratories, product quality marking, testing and certification for the purposes of developing more efficient products, processes or services),
- c) Costs of obtaining, validating and protecting patents and other intangible assets (intellectual property),
- d) Costs of contract research, knowledge and patents purchased or licensed from external sources at market terms.

Total co-financing by the Fund in this category of costs cannot exceed 20% of the awarded grants.

5. **Training costs for start-ups and existing businesses** which include travel expenses, per diems and registration fees.

Total co-financing by the Fund in this category of costs cannot exceed 10% of the awarded grants.

6. Value Added Tax (VAT) only if the Applicant cannot claim a VAT refund for any reason.

Indirect costs

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

Indirect costs incurred in implementing the project are not justified and include, for example:

- a) costs of renting and maintaining the premises (periodic inspections prescribed by law, replacement of used materials and elements, periodic and extraordinary works and repairs),
- b) overhead costs including electricity, water, waste disposal, etc.

XIV. INELIGIBLE COSTS

The following costs and activities are not eligible:

- Debts and debt repayment costs (interest);
- Compensation for losses, debts or potential future liabilities;
- Value Added Tax (VAT) for which a refund may be requested;
- Costs declared by the Applicant and financed under another action or a program that receives funds from other public funding sources;
- Purchase of land or buildings, including renovation;
- Vehicle purchase and leasing;
- Costs of judicial and extrajudicial disputes;
- Costs for opening, closing and maintaining accounts;
- Currency exchange losses, fees and penalties;
- Loans to third parties;
- Non-financial investments;
- Entertainment expenses;
- Recruitment, relocation or subscription costs;
- Procurement of used or refurbished goods;
- Cash withdrawal from the project account;
- Patent maintenance costs that did not arise from the project;

- The cost of placing the final product on the market;
- All other costs that are not listed in the category of eligible costs.

XV. PROCEDURE FOR AWARDING GRANTS

To apply for the Public Call, the Applicant must first register on the Fund's portal via the link www.programifonda.me. The request for account registration is automatically approved, after which the Eligible Applicant receives the necessary credentials via email. After registration, the Eligible Applicant can submit their Application directly on the portal. The Manual on the Program for Strengthening Innovation of Newly Established or Existing MSMEs is available on the Fund's portal.

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

1. assessment of project proposals against administrative criteria;
2. assessment of project proposals against selection criteria (two rounds);
3. environmental impact assessment;
4. adoption of the Decision on Financing.

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

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

1. Assessment of project proposals against administrative criteria

The administrative verification of project proposals is carried out in accordance with the criteria set out below, and will be carried out by the Fund Managers, or other people employed by the Fund designated 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 enter the further procedure. The verification of the fulfillment of the administrative criteria is carried out before the start, and continues during the assessment of the project proposals in relation to the selection criteria. After the review of the administrative criteria, applicants who have not met the administrative criteria will be sent a decision on the rejection, or exclusion of the project proposal from the further procedure. The decision on the exclusion of the proposal from the further procedure due to failure to meet the 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. The complaint shall be sent to the Fund by e-mail to info@fondzainovacije.me.

Administrative criteria:

- a) All required documentation from point XVII of the application has been submitted and is written in English;
- b) The content of the project application is completed according to the correct forms (application form, financial plan, team biographies, financial projections, signed and stamped statement of the applicant, signed and stamped statement on (non)returnability of VAT, completed and stamped questionnaire for environmental and social impact assessment);
- c) Eligible applicants are MSMEs as specified in point III;
- d) The applicant must be established at least thirty (30) days prior to the date of submission of the project proposal;
- e) The company has a positive equity value in the balance sheet for 2024;
- f) In the case of newly established enterprises established in the year in which the project application is submitted, whose financial statements have not yet been approved, based on the submitted interim balance sheets, the newly established enterprise has a positive capital value;
- g) The application was submitted in electronic form via the portal on the Fund's website within the deadline specified in the Public Call;
- h) According to the financial plan, the amount of support requested from the Fund is not less than EUR 50,000 and not more than EUR 200,000;
- i) The duration of projects is at least 12 and at most 36 months;
- j) The project activities are in line with the eligible activities under this Call as listed in point XI.

2. Assessment of project proposals against selection criteria

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

2.1. First round of evaluation

After reviewing the project proposals, the Fund's managers send each project proposal to two evaluators.

In order for a project proposal to enter the evaluation process according to the selection criteria, it is necessary to satisfy the pre-criterion relating to the technological level of innovation development.

The pre-criterion is checked by evaluators:

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

An applicant who is given a NO by both evaluators under this criterion is excluded from the award process, and no further checks are carried out.

The selection criteria assessed by the evaluators are:

1. PROJECT DESIGN

1.1. Have the market needs, or rather the problem that the project solves, been identified and has the desired state that would be achieved through the successful implementation of the project been described in a realistic manner?

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

Questions for comments:

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

1.2. The right time for innovation has been identified?

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

Questions for comments:

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

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

- a) The goal, purpose and expected results of the project are extremely clearly defined and explained.
- b) The goals are very well defined and explained.
- c) The goals are well defined and explained.

- d) The goals are not well defined and explained.
- e) The available documentation does not provide sufficient information for a quality assessment of this criterion.

Questions for comments:

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

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

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

Questions for comments

Does the project proposal have a clear, comprehensive, feasible and detailed implementation plan, which includes activities identified in an appropriate manner as well as a realistic estimate of the timeframe and resources required for its implementation, including an adequate and clearly developed budget. Are the research methods appropriate? In terms of the proposed objectives, is the timetable achievable? Is the proposed budget cost-effective and appropriate for the proposed project?

2. LEVEL OF INNOVATION

2.1. What is the estimated Technology Readiness Level (TRL) of the new product/service/process or technology at the end of the project implementation?

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

Questions for comments

Can the project proposal clearly demonstrate the technological advancement of the new product/service/process or technology? Can the achievement of the technological advancement be objectively measured? How feasible are the proposed technological advancements?

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

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

Questions for comments

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

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

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

Questions for comments

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

The evaluator assesses criterion 2.2 or criterion 2.3.

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

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

Questions for comments

Assess the market reach of the product/service/technology based on the proposed innovation, i.e. does the innovation have the potential to succeed in the target market where there is little or no competition, and does the innovation have the potential to succeed in the global market. Also, are the potential users/customers adequately described, is the business model and method of entering the target market presented, is the initial market share correctly estimated, is the competition (substitutes) analyzed, are potential barriers to entry identified, are the regulatory requirements that need to be met, including intellectual property requirements, presented?

2.5. Modernization of business operations through the application of innovative process solutions will result in the competitiveness of companies in:

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

Questions for comments

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

requirements that need to be met, including intellectual property requirements, presented?

The evaluator assesses criterion 2.4 or criterion 2.5.

Explanation:

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

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

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

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

Questions for comments

Has the applicant secured adequate human resources necessary for the implementation of the project, realistically defined the structure, qualifications and competencies of the project team members and assigned their team responsibilities, planned the project management, and are the project team members capable of implementing the business idea?

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

Final grade for the first round The evaluation is based on the following formula:

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

where I, II and III are the mean scores (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 score of the first round of evaluation. The final score for the first round (K1) of evaluation is calculated by rounding to 2 decimal places.

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

2.2. *Second round of evaluation*

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

The expert committee will organize a public presentation of project proposals, to which applicants will be invited to give an independent presentation of the project.

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

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

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

1. PROJECT SUSTAINABILITY

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

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

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

Questions for comments:

Does the project have a plan for obtaining assistance from other sources of funding? How do you assess the overall prospects of the project to apply for or obtain funding from other sources?

2. PROJECT IMPACT

2.1. The company's potential to develop new markets, increase revenue or number of employees

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

Questions for comments:

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

The expert committee issues a joint assessment for both criteria for each project based on the following formula:

$$EC = 0.5I + 0.5II$$

where I and II are the Expert Commission's grades for the respective criterion, and EC is the Expert Commission's grade. The Expert Commission's grade is calculated by rounding to two (2) decimal places.

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

Using both scores (the score of the Expert Committee (EC) and the score of the evaluators 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 grade is calculated by rounding to two (2) decimal places.

In order for a project proposal to be proposed for funding, it must have a final grade (K) of at least 3.80.

3. Environmental impact assessment

Applications recommended for funding will be subject to an Environmental and Social Impact Assessment (ESIA) by an External Environmental and Social Impact Assessment Expert to confirm compliance with the requirements defined in the Innovation Fund Environmental and Social Impact Assessment Framework (ESIA).

The Environmental and Social Impact Assessment consists of a review of the Environmental and Social Impact Assessment Questionnaire for all applications that have successfully passed the evaluation and are recommended for funding. If the application is classified as Category B after the review of the questionnaire, the applicant is required to prepare an Environmental Management Plan (EMP) and submit it to the Fund's external Environmental and Social Impact Assessment Expert. This is one of the conditions for signing the Financing Agreement.

Guidelines on the content of the EMP are provided in the EIA, which is available on the Fund's website. The EIA sets out the environmental and social protection procedures that supported projects must follow, which are in line with national legislation in Montenegro.

In case a specific project/solution requires an EMP and the applicant does not prepare one, that application will not be funded. In addition, all applications that have successfully passed the evaluation and are recommended for funding, but are classified under category A (high risk) in accordance with the EIA, are automatically considered ineligible for funding under this program. For applications classified under category low risk (C), the preparation of an EMP is not mandatory, and they will be funded without the obligation to prepare an EMP.

4. Making a funding decision

Based on the final score (KS) of all project proposals, a final ranking list is formed. The Fund managers contact the highest ranked applications and agree on the terms of project implementation. Negotiations may relate to the financial, legal and/or substantive part of the project proposals, taking into account the comments of the independent evaluators. Applicants are required to submit the following additional documentation:

1. Documents related to the calculation of staff salary costs:
 - 1.1. For newly employed people, submit a draft contract (unsigned) and the document on the basis of which the salary was determined.
 - 1.2. For existing employees, submit payroll for the period of 3 consecutive full months preceding the project proposal.
2. A valid offer for any cost exceeding 6,000 euros except for personnel costs;
3. Procurement plan;
4. Declaration form for low-value aid (de minimis aid);
5. Confirmation or certificate from the Commercial Court that no bankruptcy or liquidation proceedings have been initiated against the organization and that no bankruptcy or liquidation proceedings are being conducted;
6. Confirmation of settled tax obligations or an appropriate document on tax debt rescheduling from the Tax Administration.
7. Related party statement.

After the negotiations are completed, decisions are sent on accepting or rejecting the projects.

Applicants whose projects are approved are invited to sign a grant agreement.

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

At least the following information is published:

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

XVI. DOCUMENTATION REQUIRED FOR THE IMPLEMENTATION OF THE PROGRAM

1. Public call for the Program for strengthening the innovativeness of newly established or existing SMEs
2. Program for strengthening the innovativeness of newly established or existing SMEs
3. Rulebook for project evaluation
4. Grant Agreement
5. Framework program for Environmental and Social Management

XVII. APPLICATION DOCUMENTATION

1. Application form;
2. Financial plan;
3. Biographies of project team members;
4. Financial projection for a period of 5 years;
5. Project presentation for projects that enter the second round of evaluation;
6. Statement of the applicant;
7. Statement on (non)recovery of VAT;
8. Completed questionnaire for environmental and social impact assessment;
9. The applicant's balance sheet and income statement as of December 31, 2024, or the interim balance sheet and income statement for a company established in the current year.

Applicants are advised to check whether their application is complete using the Checklist that is an integral part of this public call.

XVIII. INDICATORS AT THE PROJECT AND PROGRAM LEVEL TO STRENGTHEN THE INNOVATIVENESS OF NEWLY ESTABLISHED OR EXISTING MSMEs

The program for strengthening the innovativeness of newly established or existing MSMEs will support projects that have a later stage of technological readiness, i.e. the lowest TRL5 and the highest TRL8. Support will be focused on projects with clearly defined expected results, in line with the previously stated objectives of the Program.

For the purpose of monitoring the project's achievements, the applicant is required to select the indicators from Table 1 in the application form and specify the specific target values of the indicators that it expects to achieve through the implementation of the project. The application form also requires an explanation of the target values and their links to the planned project activities. The achievement of the result indicators will be monitored during the duration of the project implementation, and the outcome and impact indicators in the period after implementation.

Within the framework of monitoring and evaluating project achievements, the uncertainty of achieving indirect results of the Program, which are measured at the level of outcomes and impacts, will be taken into account.

Table 1 Indicators at the level of projects and programs

[O] Program Objective: Increasing the innovativeness of MSMEs by introducing process innovations or creating new or improved market-oriented products, services or technologies					
Indicator label	Level	Indicator	Unit of measure	Deadline for completion	Note regarding the selection of indicators
01	Performance	Increased share of innovative companies creating products that are new to the market	Innovative companies that create new products through their own research and development	Five years from the completion of the project implementation	Applicants do not include the indicator in the project proposal. The Innovation Fund will monitor the indicator at the Program level.
	Description: The indicator measures the share of innovative companies in Montenegro compared to the EU 27 that create new products for the market through their own research and development. As part of the monitoring of indicators, the share of innovative companies will be monitored according to the corresponding strategic priorities established in S3. Source of verification: European Innovation Scoreboard, report and/or survey in the post-implementation period				
02	Performance	Increased share of innovative companies introducing process innovations	Innovative companies that introduce process innovations through their own research and development	Five years from the completion of the project implementation	Applicants do not include the indicator in the project proposal. The Innovation Fund will monitor the indicator at the Program level.
	Description: The indicator measures the share of innovative companies in Montenegro compared to the EU 27 that introduce process innovations through their own research and development. As part of the monitoring of indicators, the share of innovative companies will be monitored according to the corresponding strategic priorities established in S3.				

	Source of verification: European Innovation Scoreboard, report and/or survey in the post-implementation period				
03	Performance	Reduced share of non-innovative companies with innovation potential	Non-innovative companies that have the potential for innovation	Five years from the completion of the project implementation	Applicants do not include the indicator in the project proposal. The Innovation Fund will monitor the indicator at the Program level.
	Description: The indicator measures the share of non-innovative enterprises with innovation potential in Montenegro compared to the EU 27. Check source: European Innovation Scoreboard, report and/or survey in the period after implementation				

[A] Specific objective: Strengthening the capacity of SME staff for research, development and innovation

Indicator label	Level	Indicator	Unit of measure	Deadline for completion	Note regarding the selection of indicators
A1	Outcome	Number of people employed in the company in research and innovation activities	Employees in the company	Three years from the completion of the project implementation	An indicator needs to be selected and a target value set for it at the project level for each project.
	Description: The indicator measures the number of employees in a company who are engaged in research and development activities within the company, regardless of their level of education. Source of verification: report and/or survey in the period after implementation				

[B] Specific objective: Improving the business of newly established MSMEs with an emphasis on corporate governance

Indicator label	Level	Indicator	Unit of measure	Deadline for completion	Note regarding the selection of indicators
B1	Outcome	Number of employees trained in specific skills for start-ups	Employees of newly established companies	Completion of project implementation	The applicant can select an indicator and set a target value for it at the project level. The selection of indicators is optional
	Description: The indicator monitors the number of employees trained in new skills such as risk management, strategic thinking, the ability to face challenges and demands of a different nature, skills related to business planning, human resource planning, etc. Source of verification: report and/or survey in the period after implementation				

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

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

XIX. PROJECT IMPLEMENTATION AND SUPERVISION

Once the Application is approved for funding and the applicant signs the Financing Agreement with the Fund, the applicant officially becomes a Grant Beneficiary. The Fund will then pay its co-financing for the project into a bank account that the Grant Beneficiary will open for the purposes of implementing its project, but only after the Grant Beneficiary has first paid its own co-financing in accordance with the payment schedule specified in the Financing Agreement. This bank account will be used only for transactions related to project activities presented in the relevant approved project budget. Under standard circumstances, the Fund pays its co-financing once during a half-yearly 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 implementation of the project, the Fund will carry out the necessary monitoring activities to ensure that the expenditure of

project funds falls within the eligible costs defined within the framework of this manual, and to ensure that the Grant Beneficiary is making appropriate progress in its project activities. The Grant Beneficiary will be obliged to submit an official report to the Fund in predefined reporting formats provided by the Fund, including the necessary supporting documentation as adequate evidence of payment.

The Fund will monitor the implementation of each project in accordance with the scope, dynamics and principles set out in the Project Implementation Guidelines, which are available on the Fund's website. This document provides detailed instructions on how the monitoring process works and what the Grantee is required to submit to the Fund to justify project costs and describe progress made in each reporting period.

EXPLANATION OF TERMS

Administrative check	<p>The procedure for verifying the project proposal in accordance with the administrative criteria established by this Program.</p> <p>Administrative criteria and, consequently, administrative verification, by their very nature, do not enter into the content and quality of the project proposal itself, but in the verification process, it is handled according to the given, clear and transparent rules, the same for all applicants, guided exclusively by the set administrative requirements.</p> <p>Only if all administrative criteria are met, the project proposal will proceed to the evaluation process based on the selection criteria. Otherwise, it will be excluded from further consideration.</p>
Grants	<p>An amount that the Fund allocates for a specific purpose to an eligible applicant (grant recipient). Non-refundable or non-repayable funds are those funds that have a specific purpose and must be spent and accounted for within a specific period of time and do not have to be returned if they are properly spent.</p>
Grant recipient	<p>Eligible Applicant who signs a Grant Agreement with the Fund after receiving notification from the Fund that the project has been approved for funding.</p>
Experimental development	<p>Experimental development means the acquisition, combination, shaping and use of existing scientific, technological, business and other relevant knowledge and skills for the purpose of developing new or improved products, processes or services. This may include, for example, activities aimed at conceptually defining, planning and documenting new products, processes or services. Experimental development may include the creation of prototypes, demonstration activities, pilot projects, testing and verification of new or improved products, processes or services in an environment that reflects real-life operating conditions if the primary objective is to achieve further technical improvements to products, processes or services that are not fundamentally established. It may also include the development of a commercially usable prototype or pilot project that is necessarily a final marketable product and is too expensive to produce for use solely for demonstration and verification purposes. Experimental development does not include routine or periodic</p>

	changes to existing products, product lines, production processes, services and other ongoing activities, even if such changes represent improvements.
Application evaluation	Indicates the process of evaluating the Applicant's Application received through the Fund System. The evaluation takes place in two rounds based on defined selection criteria.
Industrial design	Industrial design, as a form of intellectual property, protects the spatial or characteristic features of a product (an industrially or artisanally produced object), visible during its normal (intended) use. Spatial features are the shape and outline of the product, and characteristic features are patterns, lines, colors, textures, and combinations of the aforementioned features.
Intellectual property	Intellectual property refers to a set of mostly exclusive rights that protect the results of innovative and creative activity, such as technological inventions, industrial design or works from the fields of literature, art, science and other related fields, and trade marks that protect the origin, 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 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 resulting from research and development of new knowledge and technologies. Although intangible in the physical sense, intellectual property has all the characteristics of property, so it can be bought, sold, licensed, exchanged, gifted, inherited, just like any other property.
State aid intensity	The gross amount of state aid expressed as a percentage of eligible costs, before deduction of taxes or other fees.
Innovative company	An innovative company is a company: (a) which can demonstrate, on the basis of an evaluation carried out by an independent expert, that it will develop in the foreseeable future products, services or processes which are new or significantly improved compared to the current state of the art in the relevant industry, and which carry with them 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 year) of granting the aid or, in the case of a newly established undertaking which has not completed any operating year, in an audit of its current operating period certified by an external auditor;
Research and development	Research and development includes systemic creative work aimed at increasing knowledge about nature, man, culture and society and applying the resulting discoveries in practice. It is divided into basic, applied and developmental research.
Innovation	Innovation is the implementation of a new or significantly improved product, service, process, marketing or organizational method within an existing business process, work organization or other type of contractual relationship. The OECD (Oslo Manual, third edition) recognizes four types of innovation in companies: innovative product, innovative process (technological innovation), and marketing or organizational innovation (non-technological innovation). Innovations can have different degrees of novelty. It does not have to be new

	in the world; it can be new in the market, in the sector or only in the company/institution.
Process innovations	Implementation of 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 relate to the logistics of a company and include equipment, software and techniques for source inputs, the layout of inventories within the company or the delivery of final products. Process innovation does not include minor changes or improvements, increases in production or service capacity by adding production or logistics systems very similar to those already in use, discontinuation of the use of a process, simple replacement or expansion of the capital stock, changes resulting solely from changes in factor prices, customer adaptation, localization, regular, seasonal and other cyclical changes and the marketing of 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 acceptability, or other functional features.
Public call	Notification to potential applicants for inclusion in the Program. The Fund publishes a public call for applications through a public announcement on the Fund's website and in other public media.
Commercialization of innovation products/services	Commercialization is a part of the innovation process in which the innovation is put into practical use, i.e. introduced into production and placed on the market as a product/service, achieving a breakthrough in the desired market. A prerequisite for starting the commercialization process is the existence of a completed prototype of the technology/product/service/system/business model tested in a real environment.
Beneficiary of state aid	A beneficiary of state aid/de minimis aid is any legal or natural person who, while carrying out an economic activity, participates in the trade of goods and services, and receives state aid/de minimis aid, regardless of its form and purpose.
Selection criteria	Selection criteria (SC) are the criteria used to assess the quality of a project proposal.
Micro, small and medium company (SME)	In accordance with the definition in Article 1 and Article 2 of Annex 1 of the GBER
New product/service for Company	A product is "new to the company's offering" if the company has not produced any other product that offers the same functionality, or if the production technology is fundamentally different from the technology of products already produced. Products can be tangible and intangible (including services). This includes process innovations as long as the process contributes to the development of the product. Projects that do not aim at actual product development are excluded.
New product/service on market	A product is "new on the market" if there is no other product available on the market that offers the same functionality, i.e. the technology used by the new product is significantly different from the technology of already existing products. Products can be tangible and intangible (including services).

	<p>This includes process innovations as long as the process contributes to product development. Projects that do not aim at actual product development are excluded.</p> <p>A product is new to the market for the company if it has not previously operated in the specified market. The applicant will prove new markets by a statement of operation in each new market.</p>
Newly established company	For the purposes of this program, a newly established enterprise is one established no more than 5 years prior to the date of submission of the project application. The date of establishment means the date of entry in the court, trade or other appropriate register of the applicant's country of residence or the date of a valid equivalent document issued by a competent authority in the applicant's country of residence.
Financing decision	Decision establishing the obligation to reimburse eligible costs of an approved project and which is the basis for signing the Grant Agreement
Patent	<p>A patent is a right granted for an invention that offers a new solution to a technical problem, usually relating to a specific product, process or application. An invention can be protected by a patent if it is industrially applicable, if it is new and if it involves an inventive step. The law defines when an invention is new, i.e. when it is not included in the state of the art. It is important to note that an invention loses its novelty in terms of patent protection if it becomes accessible to the public in any way. A patent is acquired by granting the right by the body authorized to grant that right, i.e. the competent intellectual property office, based on the examination of a patent application describing the invention.</p> <p>Patent protection is an efficient business tool that enables its holders (owners) to recover funds invested in research and development of new products and technologies, through a kind of monopoly on the use of the protected technical solution during the term of patent protection.</p>
Under market conditions	Arm's length transaction represents transaction conditions between contracting parties that are no different from those that would be established between independent enterprises and there is no indication of collusion. Any transaction resulting from an open, transparent and non-discriminatory procedure is considered to satisfy the arm's length transaction principle.
Applicant	A company applying for this program in accordance with the Applicant's eligibility requirements.
Start of implementation Project	The implementation of the project must not start before the Grant Agreement is signed.
Support services for Innovations	Providing office space, data bank, library, market research, laboratory, quality marking, testing and certification for the development of more efficient products, processes or services.
Award procedure grants	Comprehensive procedure for selecting project proposals.
Intellectual property law	Intellectual property law encompasses a system of legal instruments that regulate the manner of acquiring intellectual property and the manner of protecting it from unauthorized use.
Login	A package of necessary project documentation and data submitted by the Applicant.

Program	Program to strengthen the innovativeness of newly established or existing MSMEs.
State aid program	A state aid program is a legal act on the basis of which, without the need for further implementing measures, state aid may be granted in advance to unspecified beneficiaries who are identified in the act in a general and abstract manner, and a legal act on the basis of which state aid not linked to a specific project may be granted to one or more beneficiaries for an indefinite period and/or in an indefinite amount.
Project/project Proposal	An individual activity, a set of activities or several sets of activities limited in time and place and directed towards achieving a specific objective for which state aid is requested or used, and which contributes to achieving the indicators specified in the program.
Project budget	The project budget contains the planned amounts and sources of funding for each of the planned project costs, which are distributed by category and are an integral part of the application. When completing the project application, the applicant specifies the costs that will be incurred in the project according to the cost categories indicated in the budget table. Applicants fill it out electronically in an Excel spreadsheet and attach it to the Application, and if the Project is approved for funding from the Program funds, the budget will be an integral part of the financing agreement.
Prototype	Pre-series products are most often intended for testing and trials before moving into series production. The prototype does not have to correspond technically or optically to the finished series product, but it serves as a basis for it.
Radical innovation	Radical innovation is defined as an innovation that has a significant impact on a 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 structure of a market, create new markets, or make existing products obsolete.
Smart Specialization Strategy (S3)	A national strategic document that sets development priorities, aimed at building a competitive advantage by connecting one's own strengths in research and innovation with the needs of the economy, responding in a coherent manner to growing opportunities and market developments. It was developed through a bottom-up partnership approach, bringing together local authorities, the academic community, the business sector and civil society, through quantitative and qualitative analysis, or mapping, of economic, innovative and scientific potential in Montenegro with the aim of concentrating and connecting research and innovation resources with a limited number of determined priority economic areas.
Knowledge transfer and technology	Knowledge and technology transfer is a process that takes place between scientific institutions and the economy, as well as between economic entities on the domestic or foreign market. Knowledge and technology transfer represents the transfer of commercially applicable technological solutions, knowledge and experience from one entity (technology provider) to another entity (technology acquirer).
TRL	TRL refers to English. Technology Readiness Level ie the technological level of readiness of a technology for its commercial application. In accordance with the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the

	<p>Committee of the Regions: "A European Strategy for Key Enabling Technologies - A Bridge to Growth and Jobs", COM(2012) 341 final, 26.6.2012, the TRLs are:</p> <p>TRL 1: Basic (fundamental) research</p> <p>TRL 2: Formulation of the technological concept</p> <p>TRL 3: Experimental proof of concept</p> <p>TRL 4: Laboratory validation of the technological concept</p> <p>TRL 5: Validation of the technology in the relevant environment</p> <p>TRL 6: Technology demonstration in a relevant environment</p> <p>TRL 7: Technology demonstration in an operational environment</p> <p>TRL 8: Established and qualified technological system</p> <p>TRL 9: Successfully proven technology - competitive production</p>
Costs	Costs are amounts of resources expressed in money, used for the purpose of achieving one or more project goals.
Market – global, internationally, regional or local	<p>The global market implies the reach of innovation beyond the countries of the European geographical area;</p> <p>The international market implies the European geographical area (outside the region);</p> <p>The regional market includes the surrounding countries (Bosnia and Herzegovina, Albania, Kosovo, the Republic of Serbia, the Republic of Croatia and Macedonia);</p> <p>The local market means the market of Montenegro</p>
Contract research	Contract research includes the activities of scientific research institutions that are based on knowledge and experience (know-how) in the field of science, and that are commissioned by an entity from the business or public sector for the purpose of developing new products, services or new technologies.
Highly qualified staff	Highly qualified staff means staff with university education and at least 5 years of relevant professional experience, which may include doctoral education.
Assignment agreement non-refundable grant	An agreement concluded between the Beneficiary and the Innovation Fund, which determines the maximum amount of grant funds allocated for the implementation of the project, the rights and obligations of all parties, as well as other financial and conditions for the implementation of the Project.
Management Intellectual property	The process of intellectual property management begins with the business idea of a company or the idea of an invention or technical improvement of a product or production process, proceeds through the stages of selecting the best way to protect intellectual property, implementing the protection procedure and lasts throughout the entire process of commercialization of any form of intellectual property, including licensing technology or full assignment of intellectual property rights. Intellectual property management also includes maintaining the protection achieved and monitoring violations of one's own intellectual property rights.
Significant improvement products/services	A significant improvement of a product/service is the introduction to the market 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 acceptability or other functional characteristics. The following are not considered to be significant improvements of products or services: minor changes or improvements to products/services, adaptation of products/services to individual customers that do not entail significant

	changes in the characteristics or intended use of the products/services, regular, seasonal and other cyclical changes, and the trade in new or significantly improved products/services.
--	--