

Manual for the second phase of the Program for Financing Innovative Solutions in the Public Sector

Innovation Fund of Montenegro¹

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

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I. DESCRIPTION AND OBJECTIVE OF THE PROGRAM FOR FINANCING INNOVATIVE SOLUTIONS IN THE PUBLIC SECTOR

The Innovation Fund is launching a Program for Financing Innovative Solutions in the Public Sector, with the aim of improving the efficiency and quality of services that state institutions provide to citizens and the economy. Through this program, key challenges faced by public institutions will be identified, and companies and scientific research organizations will have the opportunity to offer innovative technological solutions tailored to the needs of the public sector.

Program Objective is to encourage public sector institutions to use modern technologies to improve service delivery and business efficiency. With this program, the Innovation Fund enables public institutions to use modern technologies to improve their services and respond more effectively to the needs of citizens. At the same time, it opens up an opportunity for technology companies and research organizations to develop and test solutions with high potential for application in the public sector.

The program covers a wide range of technological areas, including artificial intelligence, process automation, digitalization of administrative procedures, e-government systems, smart resource management systems, blockchain technologies, Internet of Things (IoT), development of advanced software solutions, cloud technologies, etc.

Program participants will have access to financial support for the development and testing of prototypes, pilot projects or adaptation of existing solutions to the specific needs of public institutions. This approach encourages partnerships between the public and private sectors, increases transparency and efficiency in the work of public institutions, and contributes to the digital transformation of society.

Specific objectives of the program:

- Encouraging the digital transformation of public institutions through the implementation of modern technological solutions.
- Enabling more efficient and transparent management of resources and processes in the public sector.
- Improving the quality of services provided by public institutions to citizens and businesses.
- Connecting the private and public sectors through the development of innovative solutions for specific public administration problems.
- Enabling pilot testing and application of new technologies in areas of public interest.

Expected results which are to be achieved by implementing the Program are:

- Introducing innovative technologies into the public sector;
- Improving the availability and quality of public services;
- Optimization of the work of institutions and reduction of operating costs;
- Strengthening the innovation ecosystem through connecting the private and public sectors;
- Long-term digitalization and modernization of state administration.

The program is implemented in two phases:

- **Phase 1 – Identification of challenges**

Public institutions report specific problems for which there is no adequate solution on the market. An expert committee, appointed by the Fund, selects those challenges that have the greatest potential to be solved through innovative technologies.

- **Phase 2 – Proposing a solution**

Companies and scientific research institutions submit proposals for innovative solutions to selected challenges. After evaluation, selected projects receive financial support for prototype development, pilot testing, or adaptation of existing technologies to the needs of the public sector.

The challenges selected during the first phase of the Program can be viewed [HERE](#).

II. ELIGIBLE APPLICANTS

Micro, small and medium-sized enterprises (hereinafter referred to as: MSMEs) can apply to the Public Call established as legal entities in the manner defined by the applicable Law on Business Companies ("Official Gazette of Montenegro", No. 06/02 and "Official Gazette of Montenegro", No. 17/07, 80/08, 40/10, 36/11 and 40/11), as well as the Law on Accounting ("Official Gazette of Montenegro", No. 52/2016), registered in the Central Register of Business Entities of Montenegro (CRPS) with its registered office in Montenegro and majority private ownership, whereby the share of ownership of a large business company may not exceed 10%, as well as "organizations for research and dissemination of knowledge" or "research organizations", established in Montenegro.

When it comes to eligible MSMEs, they 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

Newly established companies² may also apply to the Public Call. In that case, the company must have been established at least thirty (30) days prior to the opening date of the Public Call. In such cases, it is necessary to submit a balance sheet and an income statement covering

² Enterprises that, at the time of the opening of the Public Call, have not completed a full year since their establishment, i.e. that have been operating for less than 12 months.

the period from the company's establishment until 31 December 2025, in order to determine whether the company falls within the MSME segment and whether it has a positive equity value.

The eligible applicant is an MSME that meets the following conditions:

- that it complies with the definition in Annex 1 of the GBER Regulation³;
- that it is registered in the Central Register of Business Entities of Montenegro;
- to have its seat on the territory of Montenegro;
- that it has fulfilled all obligations for regular payment of taxes and contributions;
- that it is not in pre-bankruptcy, bankruptcy proceedings, or in liquidation proceedings, has suspended regular business activity or similar in accordance with national regulations;
- to have a positive equity value in the balance sheet as of 31 December 2025 (in the case of newly established companies whose financial statements have not yet been approved, interim financial statements shall be submitted – namely the balance sheet and the income statement covering the period from the company's establishment until 31 December 2025 – in order to determine whether the company belongs to the MSME segment and whether it has a positive equity 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.

In cases where a company and its founders hold a share exceeding 20% in the ownership structure of another business entity (related parties within the meaning of the Law on Business Organizations ("Official Gazette of Montenegro", Nos. 065/20, 146/21 and 4/2024)), both companies may not apply. If related parties submit two or more project applications, only the application that is first submitted under the Public Call shall be accepted.

One company (MSME) may receive a maximum of one grant under this Public Call.

Eligible applicants are research organizations that must meet the following two conditions:

1. that "research and knowledge dissemination organizations" or "research organizations" meaning entities (such as universities or research institutes, technology transfer agencies, innovation intermediaries or virtual collaborative entities focused on research), regardless of their legal status (organization based on public or private law) or the method of financing, the primary objective of which is the independent conduct of fundamental research, industrial research or experimental development or the dissemination to the general public of the results of such activities, through teaching, publication or knowledge transfer, in accordance with the Community Framework for State Aid for Research and Development and Innovation (2022/C 414/01), Chapter 1.3., point 16. (ff).⁴

³ https://azzk.me/wp-content/uploads/2022/11/Prilog_7A.pdf , page 70

⁴ <https://azzk.me/wp-content/uploads/2023/08/2d-2023.pdf>, page 8

2. that they are registered in the register of centers of excellence, licensed institutions and organizational units in accordance with the Law on Scientific Research activities ("Official Gazette of Montenegro", no. 80/2010, 40/2011 - second law, 57/2014 and 82/2020).

Grants awarded to research and dissemination organisations ('research organisations') do not constitute State aid, provided that the research and dissemination organisations ('research organisations') do not meet the conditions for undertakings. In such circumstances, the aid intensity for costs eligible for financing through grant funds may reach up to 90% of the project's eligible costs, taking into account the maximum amount of grant funds that may be awarded to an individual project. These conditions do not depend on their legal status, i.e. whether they are established under public or private law, or on their economic nature, i.e. whether they are profit-making or not. What is decisive for the failure to meet the conditions of the definition of an undertaking is the fact that the economic activities consisting of the supply of products or services on a given market do not exceed 20% of the organisation's total annual capacity. In the case where a research organisation carries out both economic and non-economic activities, public financing of non-economic activities shall not be covered by Article 107(1) of the Treaty on the Functioning of the European Union, if it is possible to clearly separate the two types of activities, their costs, financing and revenues in order to effectively avoid cross-subsidisation of the economic activity. The applicant is required to study the Guidelines for Applicants related to the application of state aid rules and to confirm compliance with the main provisions by submitting an Applicant's Statement (Statement on Non-Economic Activities).

A research and knowledge dissemination organization may apply with more than one project proposal and may receive support for multiple projects, provided that:

- the same or substantially similar activities and costs are not financed through different projects of the same applicant;
- the involvement of project staff employed by the knowledge dissemination organization in the implementation of the project(s) financed under this Program does not exceed 50% of their full-time employment with that organization. Accordingly, remuneration for such staff may be paid exclusively up to an amount corresponding to a maximum of 50% of their full-time workload with the organization in which they are employed;
- for a challenge defined by a specific faculty, another faculty of the same university may not apply. This provision aims to prevent faculties within the same university from applying for projects that would, in practice, serve to address their own internal challenges.

The applicant is responsible for submitting the Application to the Fund.

A natural person cannot be an acceptable applicant.

One applicant may receive a **maximum of one grant** under this Public Call.

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

If the applicant requires the participation of another professional natural or legal person in the implementation of certain project activities, they may be engaged under a contract for services based on the cost category of external services for research and development (see Chapter VIII - Eligible costs).

III. IMPLEMENTATION PERIOD

The duration of activities of approved projects in terms of addressing challenges is **up to 18 months**.

IV. FINANCING AMOUNT

The total amount of financing is **2.000.000 euros**.

The maximum amount of funding that the Fund can award depends on whether the solution is completely new to the market or whether the work is an adaptation of a solution developed for the needs of a public sector entity.

- For the development of a completely new solution that does not exist on the market, the Fund can allocate a maximum of **up to 200.000 euros**;
- For the development and adaptation of an existing solution to the needs of a public sector entity, the Fund can allocate a maximum of **100.000 euros**.

The grant may cover a maximum specified percentage of the total eligible project costs, depending on the type of beneficiary:

- **Companies:** up to 80% of the total eligible costs. The grant beneficiary is required to co-finance the remaining amount, at least 20% of the total approved amount.
- **Knowledge dissemination organizations:** up to 90% of the total eligible costs. The grant beneficiary is required to co-finance the remaining amount, at least 10% of the total approved amount.

Support granted through this Program to entities carrying out economic activities, regardless of their legal status and the manner in which they are financed, will be provided under the de minimis aid regime (state aid of small value), and these beneficiaries will be obliged to act in accordance with the Rulebook on the list of state aid rules ("Official Gazette of Montenegro", No. 35/14, 02/15, 38/15, 20/16, 33/20, 38/20, 130/20 and 44/21) and are obliged to act in accordance with the provisions of the legal acts regulating this area. The total amount of de minimis aid granted to one beneficiary may not cumulatively exceed EUR 300.000 during any period of three fiscal years.

V. OBLIGATIONS RELATING TO DE MINIMIS 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.⁵(hereinafter: de minimis Regulation), which is

⁵OJ L 2023/2831, 15.12.2023.

applied in Montenegro in accordance with the Rulebook on the list of rules on state aid - attachment 7⁶.

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 limit 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 limit 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 limit, none of that new aid may be granted under this Program.

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 business entity" 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.

⁶Sl. 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.

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 activity⁷;
- 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 companies, in accordance with Article 3(8) of the de minimis Regulation, when determining whether the relevant maximum applicable de minimis limit 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.

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 limit 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 companies providing services of general economic interest.⁸

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 de minimis aid

The Innovation Fund as a small-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),

⁷De 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.

⁸Official Journal L, 2023/2832, 15.12.2023, p. 9.

as well as of the fact that the beneficiary is receiving de minimis aid, with reference to the De Minimis Regulation, including its full title and publication details.

The Innovation Fund awards 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.

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.

VI. DOUBLE FINANCING

The principle of non-double funding means that double funding of the same costs from the national budget, Union programs, international sources and other state aid providers is not allowed. Funds may be awarded to an individual applicant only 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 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.

VII. ELIGIBLE PROJECT ACTIVITIES

Within this Program, **projects must end at the TRL 7 or TRL 8 stage**, which means that the technology being developed must be ready for real application.

At the end of the project, the technology solution (TRL7) being developed must:

- be functional in real-world conditions and tested in circumstances that reflect the challenges and needs of the public sector;
- demonstrate that it can function effectively in the field, before it is fully implemented or scaled up;
- and still be open to adaptation, optimization and additional testing before it is ready for wider application in public institutions.

Or (TRL 8):

- The technology or solution must be ready for implementation in a public institution, with all necessary testing and verification.
- The solution must demonstrate clear and proven benefits, enabling efficient implementation in the daily operations of public institutions.

These levels of technology readiness ensure that all aspects of its development, from idea to practical use, are fully tested, functional, and aligned with end-user needs, leaving room for additional adaptation before it is fully ready for implementation.

Eligible activities that can be financed under this Program are:

- **Development of innovative prototypes:** creating functional prototypes of new technologies or software solutions that will solve specific challenges in the public sector, with the possibility of testing and implementation in a real environment. Within the framework of prototype development, the following activities are acceptable: creating a conceptual design that describes the basic functionality, components and architecture of the solution, defining detailed technical characteristics of the prototype, including the selection of the platform, software tools, hardware components and integration solutions, prototyping - hardware and software development, user interface (UI/UX) development, solution design, prototype testing in controlled conditions, integration, validation and improvement of the prototype, verification of compliance with standards and laws, testing and development of pilot lines, testing of the final pilot solution;
- **Development of a minimum viable product (MVP):** designing a minimal version of a product or service that contains only the key functionalities needed for testing in real-world conditions and providing value to users, with the possibility of further development and expansion.
- **Adaptation of existing technologies:** Modification and adaptation of existing technological solutions to the specific needs and requirements of public institutions, with a focus on optimization and compliance with legislation and standards.
- **Development and implementation of digital tools:** Creating tools and platforms for the digitalization of administrative procedures, such as e-government tools, digitalization of application and approval processes, or systems for monitoring and managing public resources.
- **Automation and improvement of business processes:** Development of technologies for automation of business processes in public institutions, with the aim of reducing operating costs, speeding up procedures and reducing administrative burden.

- **Integration of new technologies:** Application of new technologies such as blockchain, IoT, artificial intelligence and cloud solutions to optimize processes, improve data security and improve the quality of services provided by public institutions.
- **Protection and use of intellectual property** and external services aimed at developing an innovative idea (product, process, technology, service);
- **Training and education of employees in public institutions:** Activities aimed at training and education of public sector employees in order to ensure the successful application of newly developed technologies and systems in the daily work of institutions;
- **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.
- **Activities related to contractual obligations:**
 - project review

NOTE 1: The applicant is obliged to submit a detailed maintenance plan within the project application, including all estimated costs for a period of at least two years after the completion of the project. The public entity must commit to reserving funds in its budget for the maintenance of the solution during the estimated period. The maintenance cost is not eligible for financing from the Fund. The applicant is obliged to fix the maintenance price for a period of 2 years, with a clearly stated prohibition of increases during that period.

NOTE 2: If the integration of the innovative solution requires additional modifications to existing third-party systems with which the public institution already has a contract, the public entity is obliged to take over the financing of these additional costs, unless the modifications are an integral part of the innovative solution proposed by the economic operator. In such a case, the costs of the modifications may be part of the budget of the innovative project.⁹

This Program is aligned with the strategic priorities set by the Smart Specialization Strategy of Montenegro.

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

The Fund may decide that an applicant is not eligible for a grant if the project activities are not in line with the objectives and eligible activities of this Program or if they in any way threaten or damage the reputation of the Fund.

⁹Example: Elektroprivreda is looking for smart electricity meters for consumer points. Company A offers a proposal for the challenge and is approved by an expert committee. Elektroprivreda already does business with Company B, which supplies them with an electronic system for measuring electricity consumption and generating bills for consumers. In order for Company A's product to be integrated into Elektroprivreda's system, Company B must make changes to the system and the cost of the change is X, or Company B must further develop the existing system for a price of Y and install it for a price of X, and increase the annual maintenance for a price of Z. These integration costs are borne by the Public Entity.

New intellectual property and know-how that may be created during implementation must belong to the Applicant. The Applicant must secure the rights to the intellectual property and know-how in contracts concluded with any third party. The public entity holding the challenge has the unlimited right to use the intellectual property without compensation or restrictions for its relevant field of use (business).

INELIGIBLE PROJECT ACTIVITIES

Ineligible project activities are:

- activities that fall within the applicant's regular business operations;
- activities that are not aimed at the development of innovative technologies, that are not related to digitalization and technological progress;
- activities that focus on replacing existing systems or technologies with identical solutions that do not bring significant improvements or innovations in efficiency and quality of services;
- activities that are not related to the specific needs of public institutions and that do not relate to the public sector, but are oriented only towards profit without regard to public function and benefits for society.
- activities that do not comply with legislation and standards;
- activities that do not allow testing and implementation in real conditions;
- cash withdrawal from the project account,
- activities of placing the final product, service or technology on the market;
- 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.

VIII. ELIGIBLE COSTS

The applicant's eligible expenses are:

Direct costs

1. **Staff salary costs** (gross 2) employee¹⁰ 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 a contract. Other salary supplements such as jubilee awards, gifts for children and allowances are not eligible for co-financing from the Program funds.

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

¹⁰The terms used in this Program for natural persons in the masculine gender include the same terms in the feminine gender.

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 - annual gross 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;
- 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 persons 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 80% of the awarded grant.

- 2. Costs of equipment and materials for research and development** used for the purpose of developing a solution and procured exclusively for the implementation of the project (including purchased equipment, material costs, consumables, as well as rented equipment, online services, and tools). The equipment shall remain the property of the grant holder, unless the grant holder and the public entity agree otherwise through a mutually concluded Memorandum of Cooperation.¹¹ It is not permitted to purchase refurbished/used equipment, although such equipment may be rented for the purposes of the project.

¹¹ **NOTE:** If the solution provider and the public entity reach an agreement on the transfer of ownership of equipment procured through the project to the public entity, they are required to define this precisely through a separate Memorandum of Cooperation. In such cases, the Memorandum should include: a list of the equipment to be transferred, the conditions and deadlines for the transfer of ownership, obligations related to the use, maintenance, and any servicing of the equipment, as well as the manner in which continuity of the functionality of the developed solution will be ensured after the transfer. This contractual obligation ensures transparency and clearly defined responsibilities of both parties, while preserving the primary purpose of the equipment: testing, implementation, and sustainability of the innovative solution within the public entity.

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 30% of the awarded grant.

- 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 grant.

4. Costs of external services for research and development

- 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, compliance with legislation, such as data protection, information security or industry standards);
- b) Costs of support services for innovation (referring to the provision of databases, preparation of feasibility studies, development of a study or plan for commercialization, laboratory, testing and certification or licensing for the purpose 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 patents or licenses purchased from external sources at market terms;
- e) Hiring experts or legal entities for specific technologies who will provide additional expertise and knowledge.

Total co-financing by the Fund in this category of costs cannot exceed 30% of the awarded grant.

- 5. Costs of training and education of public sector employees to ensure the successful application of newly developed technologies and systems in the work of institutions.** These costs include the organization of seminars, workshops and courses (rental of premises, technical equipment, training materials, travel costs of public sector employees participating in training, costs of external lecturers if applicable) and are exclusively directed at identified target groups.

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

- 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 and 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.

IX. 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.

X. METHOD OF APPLICATION

Before starting the application process, it is necessary that the applicant registers on the Fund's portal, which is available at the following link: www.programifonda.me.

The registration request is automatically approved, after which the Applicant receives the necessary access credentials for logging in to the Fund's portal.

Upon completion of registration, the Applicant can submit an Application via the Fund's portal. The Application is submitted as a set of documents completed in accordance with the instructions set out in this Manual and application documents within the Program. The applicant can upload all required application documents and modify the documents before the final submission to the Fund.

After uploading all required documentation to the Fund's portal, the applicant is required to officially submit the application by clicking the “Submit Application” button. This action notifies the Fund that the application has been finalized and received.

The applicant should ensure that the "Submit Application" button is clicked before the application deadline specified in the public call, in order for the application to be submitted on time. Additionally, applicants are not entitled to change or modify the documents after clicking the "Submit Application" button. Applications submitted after the deadline will not be considered.

By submitting an application, the applicant agrees to all of the above conditions that the Fund requires in order for the application to be considered.

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

Only complete applications will be accepted.

The complete application documentation consists of:

- *Application Form – Solution Proposal;*
- *Completed and signed Applicant's Declaration;*
- *Financial Plan;*
- *CVs of the project manager and key team members;*
- *Solution presentation in free format (to be submitted only by applicants qualified for the second round of evaluation);*
- *Completed Environmental and Social Impact Assessment Questionnaire;*
- *Completed and signed Applicant's Declaration on VAT (non-)recoverability.*

Additionally, for MSMEs:

- *Applicant's Declaration on VAT (non)recoverability;*
- *Applicant's Declaration on Related Parties;*
- *Balance sheet and income statement of the applicant for 2025, or, in the case of newly established companies, interim balance sheet and income statement covering the period from the company's establishment until 31 December 2025.*

Additionally, for Knowledge Dissemination Organizations:

- *Applicant's Declaration on Non-Economic Activities*

After the Applicant has completed and entered all documentation on the Portal and accepted the Program terms, they need to click on the "Submit the request", so that the Application is successfully submitted.

Note: The application documentation must be submitted in the same format as on the Fund's website. The application form - the proposed solution and the financial plan of the project team must be submitted via the Fund's portal in Montenegrin in the format available on the Fund's website. CVs must be submitted in free form in Montenegrin. The application forms are an integral part of this manual and applicants are required to follow the specific instructions provided in these forms. All statements must be stamped and signed by authorized persons.

The Fund will provide advisory support to all interested applicants as may be required regarding the administrative aspects of preparing a project proposal for the program via email, telephone, FAQs, info meetings and open houses. Please note that the Fund staff cannot provide support in writing the content of the application, nor can they provide advice or qualitative judgment regarding the quality of the content of the application.

XI. GRANT ALLOCATION PROCEDURE AND EVALUATIONS

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

- assessment of project proposals in relation to administrative criteria;
- assessment of project proposals in relation to selection criteria (two-round evaluation);
- decision on financing (The Fund makes a decision based on the recommendation of the expert committee).

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

Given 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 90 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 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, which shall be notified.

1. Assessment of project proposals in relation to 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 persons employed by the Fund designated by the CEO. 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 CEO 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 XI of the application has been submitted, and it is written in Montenegrin. The documentation has been submitted in accordance with the deadline defined in the Public Call, and the applicant's statements have been signed and stamped by the applicant's authorized person;
- b) The content of the project application is filled out according to the correct forms (application form - solution proposal, financial plan, team biographies in assigned form, signed and stamped statement of the applicant, signed and stamped statement on VAT (non)refundability for the applicant and signed and stamped statement of the applicant

on related parties for MSMEs, signed and stamped statement on non-economic activities for the knowledge dissemination organization);

- c) An eligible applicant is an MSME or a “research and knowledge dissemination organization” or a “research organization”, as specified in point II of the Program;
- d) The application was submitted in electronic form via the portal on the Fund's website within the deadline specified in the Public Call in Montenegrin language;
- e) According to the financial plan, the amount of support requested from the Fund is no more than 100.000 euros for the development and adaptation of an existing solution to the needs of a public sector entity, or no more than 200.000 euros for the development of a completely new solution that does not exist on the market;
- f) The duration of projects is up to 18 months;
- g) The applicant must be established at least thirty (30) days prior to the opening date of the Public Call;
- h) The company has a positive equity value in the balance sheet for 2025;
- i) In the case of newly established enterprises whose financial statements have not yet been approved, based on the submitted interim balance sheets, the newly established enterprise has a positive equity value as of **31 December 2025**.
- j) A Knowledge Dissemination Organisation is a research organisation that meets the definition of a research and knowledge-dissemination organisation in accordance with the Community Framework for State Aid for Research, Development and Innovation (2022/C 414/01), Chapter **1.3**, point **16 (ff)**.
- k) The Knowledge Dissemination Organisation is entered in the Register of Centres of Excellence, licensed institutions and organisational units maintained by the Ministry of Education, Science and Innovation.
- l) The economic activities of the Knowledge Dissemination Organisation consisting of the offering of goods or services on a given market do not exceed 20% of the total annual capacity of the research organisation. If this threshold is exceeded, de minimis State aid rule shall apply to the applicant, and the maximum intensity of support provided by the Fund shall be up to 80% of the total project budget.

With the aim of reducing the number of project proposals rejected on the basis of administrative eligibility criteria, the Fund has prepared a supporting document, namely a Checklist for the assessment of project proposals against administrative eligibility criteria. **If any answer in the Checklist is negative (“NO”), the application shall be rejected.**

2. Project assessment proposal in relation to the selection criteria

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

2.1. First round of evaluation

After reviewing the project proposals, the Fund's managers send each project proposal for evaluation to an independent international three-member expert committee.

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.

Pre-criteria checked by the Expert Commission.

1. The technological level of development of the innovation (product / service / technology / process) at the end of the project is clearly described and can be classified between TRL 7 - TRL 8 (not lower than TRL 7 nor higher than TRL 8):

- Yes
- No

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

After checking the pre-criteria, the applications will be evaluated in such a way that points will be awarded for each of the criteria listed below by the committee.

The selection criteria that are evaluated are:

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

1.1. 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 required 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 project?

2. RELEVANCE OF THE OFFERED SOLUTION TO THE PROPOSED CHALLENGE

2.1. To what extent does the solution meet the needs and challenges of the public sector?

- a) The project directly addresses a specific challenge of the public sector, with significant improvements in efficiency, transparency and quality of services.
- b) The project significantly improves an existing process or technology in the public sector, but does not directly solve a specific challenge.
- c) The project partially improves the performance of the public sector, but the solution has not been proven to have long-term applicability.
- d) The project does not achieve improvements relevant to the public sector.

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

Questions for comments:

Does the project proposal clearly show how the solution addresses the public sector challenge? Can the improvement that the solution will bring to public institutions be objectively measured? How feasible and realistic is the proposed improvement for specific public institutions? Are there clearly defined performance indicators (e.g. cost reduction, shortening of request processing time, improving access to services)? Is there a plan for integrating the solution into existing public institution systems? Will the proposed solution lead to improved business processes and better services of the Public Sector entity to citizens?

3. LEVEL OF INNOVATION OF THE SOLUTION

3.1. How innovative is the solution in the context of the public sector and the market?

- a) The project represents a completely new (disruptive) solution that does not exist on the market, with significant technological advancements and potential for widespread application.
- b) The project represents a significant improvement to an existing solution, bringing new functionality or technology tailored to the needs of the public sector.
- c) The project brings an improvement to the existing solution, but is not entirely innovative in the context of the market or the public sector.
- d) The project does not bring significant innovations compared to existing solutions.
- e) The available documentation does not provide enough information for a quality assessment of innovativeness.

Questions for comments:

Is the solution completely new or an adaptation of an existing solution? To what extent does the project improve the technological level compared to the current state? When it comes to significant technological progress, a shift on the TRL scale is from 3 and above, while when improving existing solutions, a shift is achieved from 2 and above. Does the innovation bring measurable benefits (faster procedures, lower costs, increased efficiency, data security, etc.)? How feasible are the proposed improvements in the technological level?

Does the proposed solution have the potential to create new intellectual property? Is there technical validation of the solution that confirms its innovative character?

4. METHODOLOGY, BUDGET AND FINANCIAL JUSTIFICATION

4.1. How well designed and feasible is the project within the given timeframe and budget?

- a) The project is clearly defined, with a precise plan, realistic budget and well-developed methodology.

- b) The project is well designed, but contains certain uncertainties in the methodology, plan, or budget.
- c) The project has significant shortcomings in planning, methodology or budget.
- d) The project is poorly designed, with unclear objectives, an unrealistic budget, and inadequate methodology.
- e) The available documentation does not provide sufficient information for a quality assessment of this criterion.

Questions for comments:

Is the methodology sufficiently developed and adequate to achieve the project objectives? Does the proposed solution have a clear, comprehensive, feasible and detailed implementation plan, which includes activities identified in an appropriate manner as well as a realistic assessment of the timeframe and resources required for its implementation, including an adequate and clearly developed budget.

Are all development phases (prototype, testing, validation, implementation) clearly planned? Is there a clear development and implementation plan that is feasible?

Are the financial plan and budget realistic, with justified costs and a transparent allocation of funds? Are the proposed costs realistic? Are possible risks and strategies for their management foreseen? Does the implementation plan enable the completion of the project within the defined deadline?

4.2. 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 objectives? Can we objectively measure whether the proposed goals will be achieved or not? Are the proposed goals achievable?

Each member of the Expert Committee evaluates each aspect of the project individually, assigning scores for each evaluation criterion. Scores are awarded on a scale from 1 to 5, with the possibility of awarding half-point increments.

The Expert Committee is expected to provide a comment accompanying each score, in a form that gives applicants clear and constructive feedback. Each member of the Expert Committee prepares an individual evaluation report. Once all three members of the Committee have assigned their scores for all four criteria, the scores are summed and divided by three, resulting

in an average score. The average scores for the four evaluation criteria are then multiplied by the corresponding weightings, in accordance with the formula for the final score of the first evaluation round.

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

$$K1 = 0.25I + 0.25II + 0.25III + 0.25IV$$

where I, II, III and IV are the average scores assigned for each of the 4 criteria, and K1 is the final score of the first round of evaluation. It is calculated by rounding to 2 decimal places.

The submission of evaluations by the Expert Committee completes the first round of evaluation. Project proposals that have been evaluated in the first round with a score exceeding the minimum threshold for further consideration of project proposals (3,50) are forwarded to the second round of evaluation.

NOTE: If the Applicant has indicated that they are applying for the development of a new product/service, and the Expert Committee determines that the same product/service has already been developed or that its development is already ongoing by the Applicant, the Expert Committee reserves the right to reclassify the application as the adaptation of an existing product/service. In such a case, the Expert Committee may require budget adjustments, and funding by the Fund may not be approved accordingly. Therefore, it is recommended that the Application clearly state that the proposed solution relates to the improvement and/or adaptation of a product/service to the specific needs of the Public Entity acting as the challenge owner.

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 (3,50)** will be sent a Decision of Rejection as well as the evaluation report from the Expert Committee.

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

During the presentation of project proposals, the public entity to which the proposed solution for the defined challenge relates may attend the presentation online. Their attendance is recommended but not mandatory. The role of the public entity during the presentation is not active; however, representatives of the public entity may take part in the discussion and provide additional clarifications exclusively if the Expert Commission addresses questions to them regarding the presented project proposal.

Based on the presentation, the Expert Committee will evaluate the project proposals based on the following criteria:

1. CLARITY AND PERSUASIVENESS OF THE PRESENTATION

- 1.1. How clearly defined and convincing is the project presentation in presenting the objectives, activities, expected results and feasibility of the solution?
 - a) The presentation is very clear and convincing, with precise objectives, a logical structure and a detailed presentation of the expected results and the feasibility of the solution.
 - b) The presentation is clear but contains minor deficiencies in detail or structure.

- c) The presentation is partially clear, but contains significant deficiencies in structure, argumentation, or precision.
- d) The presentation is unclear and unconvincing, with poorly structured objectives, lack of rationale and weakly linked activities and results.
- e) The available documentation does not provide sufficient information for a quality assessment of this criterion.

Questions for comments:

Are the objectives clearly defined and linked to the planned activities? Does the presentation have a clear, logical structure that allows easy tracking of all project elements? Are all aspects of the project (methodology, activities, budget, results) thoroughly explained and linked?

Are the expected results clearly linked to the objectives and how will the success of the project be measured? Are all key data in the presentation convincingly supported by relevant information and arguments?

2. SUSTAINABILITY AND SCALABILITY

2.1. Sustainability of the project after its completion

- a) The project has clearly defined mechanisms for sustainability, with realistic plans for funding, resources, and maintenance of results.
- b) The project envisages sustainability, but there are several ambiguities or shortcomings in resource planning or financing.
- c) Sustainability is partially foreseen, but there are a significant number of shortcomings in planning, financing and resources.
- d) Sustainability is not sufficiently developed, with unclear plans for funding, resources, and maintaining results.
- e) The available documentation does not provide sufficient information for a quality assessment of the project's sustainability.

Questions for comments:

Sustainability refers to the ability of a project to be sustained, even after initial financial support has ended. For a project to be sustainable, it must have clear plans for long-term funding, resource management, and maintenance of results.

Does the project foresee ways to finance its activities after the initial funding runs out? Is there a plan for long-term fundraising or revenue generation?

Does the project have plans for maintaining human, technical and other resources after the project ends? For example, a plan for training teams in the Public Sector, technical support?

How will the project results be maintained over time? Is there a mechanism for regular updating, monitoring and evaluation of achievements?

2.2. Project scalability

- a) The project is highly scalable, with clear plans for expansion and adaptation.
- b) Scalability is possible, but additional resources or customizations are required to expand.
- c) Scalability is limited and requires significant changes or additional resources.
- d) Scalability was not recognized as a priority in the project.
- e) The available documentation does not provide sufficient information for a quality assessment of the project's sustainability.

Questions for comments:

Scalability refers to the ability of a project to grow, expand its reach, or increase the scope of its activities without losing efficiency. Scalability is crucial for projects that want to have a long-term impact on a broader scale.

Expansion potential: Is there a plan to expand the scope or geographic reach of the project? Are the proposed project models suitable for expansion to other regions, markets, or user segments?

Flexibility and adaptability: Does the project allow for easier adaptation and integration of new technologies, partners, or markets in the future? For example, developing an application that can be adapted to different industries or users.

Does the proposed solution have the potential for application in other similar systems at the local, regional or global level?

Following a joint deliberation, the Expert Committee adopts a **joint score** for each of the two criteria. Scores are awarded on a scale from **1 to 5**, with the possibility of awarding **half-point increments**. The scores thus determined constitute the **Committee's joint scores** for Criteria **I** and **II**.

The joint score for both criteria of the second evaluation phase is calculated using the following formula:

$$K2 = 0.4 \times I + 0.6 \times II$$

where **I** and **II** represent the scores assigned by the Expert Committee for the respective criteria, and **K2** represents the Expert Committee's score for the second evaluation phase. The Expert Committee's score shall be **rounded to two (2) decimal places**.

The Expert Committee prepares a **single joint report** in the second evaluation phase, providing a justification for the scores awarded.

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

Using both grades (total grade from the first round - K1 and the grade of the Expert Committee from the second round - K2), the final grade of the project proposal (KO) is formed based on the following formula:

$$KO = K1 * 0.3 + EK * 0.7$$

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

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

NOTE: In case multiple applicants submit solution proposals for the same or similar public sector challenge, only one solution per challenge will be supported. The selected solution will be the one that receives the highest final score (KO) in the evaluation process by the Expert Committee, provided that it meets all administrative and technical criteria, as well as the minimum funding threshold. Other solution proposals for the same challenge, regardless of their score, will not be considered for funding.

NOTE: The public entity whose challenge is selected for implementation does not have the right to evaluate applications or participate in making decisions on the selection of projects. However, the public entity may be invited to submit a written opinion or additional clarifications, exclusively at the request of the expert committee, for a better understanding:

- operational capacities for implementation;
- technical limitations from the challenge description;
- experience from previous cooperation with bidders;
- justification of requested resources from the public sector;
- institutional connections of relevant actors (if there are more);
- according to the assessment of the expert committee

A call for opinions may be sent during the evaluation, and the public entity must respond within 3 working days. Failure to submit an opinion within the specified deadline does not affect the continuation of the evaluation.

The opinion of the public entity is exclusively advisory and is not binding on the expert committee. It is used as an additional source of information in case of technical uncertainties or operational dilemmas.

2.3. Environmental impact assessment

Applications that are rated at least 3.80 and recommended for funding will be subject to an Environmental and Social Impact Assessment by an External Environmental and Social Impact Assessment Expert, to confirm that they meet 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 regarding the content of the EMP are contained in the EIA, which is available on the Fund's website [OKVIR-ZA-PROJENU-UTICAJA-NA-ZIVOTNU-SREDINU FOND-ZA-INOVA CIJE.pdf](#). The EIA sets out the environmental and social protection procedures that supported projects must adhere to, which are aligned 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 will be funded.

2.4. Making a funding decision

Based on the final score (KO) of all project proposals, a final ranking list is formed. Project Proposals Fund Managers contact the applicants with the highest ranked applications, which have previously met the requirements related to the environmental impact assessment, 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 and recommendations of the Expert Committee. Applicants are required to submit the following additional documentation:

1. Documents related to the calculation of staff salary costs:
 - a. For newly employed persons, submit a draft contract (unsigned) and the document on the basis of which the salary was determined.
 - b. For existing employees, submit payslips for the period of 3 consecutive full months preceding the project proposal.
2. A valid offer for any cost greater than 6.000 euros except for personnel costs.
3. Procurement plan

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

Before signing the grant award contract, the following documentation must be submitted:

1. Declaration form for low-value aid (de minimis aid);
2. Card of deposited signatures of the applicant's designated accounts;
3. Confirmation of settled tax liabilities or an appropriate document on tax debt rescheduling from the Tax Administration;
4. 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;
5. A **Memorandum of Cooperation** signed between the Public Entity and the Grant Beneficiary, regulating their relationship during the development of the solution for the challenge.¹²

Finally, the Fund shall sign an **Agreement on the Regulation of Mutual Rights and Obligations** with the Public Entities for which the solution is developed, under which the Public Entities undertake to **secure the funds for the maintenance of the solution** for a period of **two years after the completion of the project**.

¹² The **Memorandum of Cooperation** should regulate fundamental issues such as **intellectual property rights**, any **transfer of ownership of equipment**, the **use of resources**, and **access to data** for the purposes of project implementation, as well as other related matters. The signatories to the Memorandum are free to **independently define and regulate their relationship and cooperation** with regard to all issues essential for the successful implementation of the project.

Finally, after the previously implemented procedure, the Fund will make decisions on accepting or rejecting projects, which will be delivered to all applicants.

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:

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

Applicants may submit an **appeal against the outcome of the assessment phase of project proposals with regard to administrative eligibility criteria** (by indicating any evident omissions or errors made during this process) or for any other reason, by submitting an appeal to the Fund via the email address **govtech@fondzainovacije.me**, no later than **8 days after receipt of the notification of the outcome via the portal**. The Fund shall provide an **official response** to the appeal no later than **14 calendar days** from the date of its receipt.

In accordance with the signed Applicant's Declaration and compliance with the Programme conditions, Applicants acknowledge and accept that **no objection or appeal may be lodged against the final decision on the approval of funding taken by the independent Expert Committee**.

XII. 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 Grant Beneficiaries are required to submit to the Fund to justify project costs and describe progress made in each reporting period.

XIII. EXPLANATION OF TERMS

Administrative check	Procedure for verifying the project proposal in accordance with the administrative criteria established by this Program. Administrative criteria and, consequently, administrative verification, by their nature, do not enter into the content and quality of the project proposal itself, but in the process of verification, it is handled according to the given, clear and transparent rules, the same for all applicants, guided exclusively by the set administrative requirements. 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.
Grants	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.
Grant recipient	The applicant who signs the Grant Agreement with the Fund after receiving notification from the Fund that the project has been approved for funding.
Experimental development	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 changes to existing products, product lines, production processes, services and other ongoing activities, even if such changes represent improvements.
EMP	Environment Management Plan - Environmental management plan
Application evaluation	Indicates the process of evaluating the Applicant's Application received through the Fund System. The evaluation is carried out based on defined selection criteria.
Industrial research	Industrial research means planned investigation or critical review with the aim of acquiring new knowledge and skills for the development of new products, processes or services or for achieving significant improvements to existing products, processes or services. It includes the creation of components of complex systems and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems and pilot lines if necessary for industrial research, primarily for the verification of generic technology.
Intellectual property	Intellectual property refers to a set of mostly exclusive rights that protect the results of innovative and creative activity, such as technological inventions, industrial design or works from the fields of literature, art, science and other related fields, and marks in trade

	that protect the source, reputation or geographical origin of products and services, such as trademarks and geographical indications of origin. Intellectual property protection is aimed at ensuring a fair return on investment in 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;
Incremental innovation	Incremental innovation is a type of innovation that involves gradual but continuous improvement of existing products, technologies, or processes in order to maintain the existing customer base and maintain a certain level of strategic positioning.
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). This includes process innovations as long as the process contributes to product development. Projects that do not aim at actual product development are excluded. 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.
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	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. 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.
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 selection process for 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 for Financing Innovative Solutions in the Public Sector.
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.
Snail	Framework Program for Environmental and Social Impact Assessment for Support Programs of the Innovation Fund of Montenegro.
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 is 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 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: TRL 1: Basic (fundamental) research TRL 2: Formulation of the technological concept TRL 3: Experimental proof of concept TRL 4: Laboratory validation of the technological concept TRL 5: Validation of the technology in the relevant environment TRL 6: Technology demonstration in a relevant environment TRL 7: Technology demonstration in an operational environment TRL 8: Established and qualified technological system TRL 9: Successfully proven technology - competitive production
Costs	Costs are amounts of resources expressed in money, used for the purpose of achieving one or more project goals.

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.
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.
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.
Validation	Idea validation is one of the first steps towards creating innovations. The purpose of idea validation is to confirm that an idea will actually survive in the market by identifying and testing the most important assumptions about the idea.
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 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.