



EARLY-STAGE STARTUP DEVELOPMENT PROGRAM

Program Manual

¹May 2026

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

Contents

1.	Program background, goals and deliverables.....	1
2.	Program duration.....	1
3.	Amount of funding and eligible cost categories	1
4.	Who should apply?	3
5.	Eligibility of Applicants	3
6.	Application Contents.....	4
7.	Evaluation criteria	5
8.	Evaluation process	6
8.1.	Administrative and eligibility check and first screening of applications.....	7
8.2.	Pre-selection phase (first evaluation phase)	8
8.3.	Final selection phase (second evaluation phase)	8
9.	Contracting and signing the financing agreement.....	9
9.1.	Disbursement of funds.....	10
9.2.	Mentorship.....	11
9.3.	Project implementation and reporting obligations	12
9.4.	Pivoting the idea	14
9.5.	IP and know-how requirements.....	15
9.6.	Visibility requirements	15
10.	Conflicts of interest and confidentiality of information	15
ANNEX	Obligations related to de minimis aid.....	16

1. Program background, goals and deliverables

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

Program beneficiaries will receive **grant financing and mentorship services** that will help them execute the first phase of in-depth market research, begin product development, establish their business model concept and initiate preparation for the next phase of fundraising and development. Furthermore, if and where is applicable, the Innovation Fund (hereinafter: the Fund) will organize a series of specifically targeted workshops that will help beneficiaries better understand their operational environment and receive value on various aspects of building a successful early-stage startup.

During the course of the Program, it is expected that beneficiaries will be able to complete the following deliverables:

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

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

2. Program duration

Beneficiaries are required to finish the implementation of their project activities within a **6 months**.

In case of significant pivoting from the original idea or unforeseen events which could be considered force majeure by the Fund, the implementation can be extended for a period of up to 3 months as a no-cost extension. The extension needs to be formally requested and justified by the beneficiary at least 30 days before the expiration of their original project and this request must be formally approved by the Fund.

3. Amount of funding and eligible cost categories

The grant financing provided by the Fund is limited to a maximum of **EUR 30,000** per project and the Fund's financing can cover a maximum of **90%** of total project budget (excluding

mentorship support). The minimum of **10%**² of the total project budget (excluding mentorship support) is to be secured by the beneficiary from any private source as a cash contribution. No in-kind co-financing will be accepted.

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

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

The following cost categories are considered eligible for financing:

- Human resources (salaries/compensation for personnel engaged on the project; can be inclusive of all social benefits and income tax for personnel working on the project);
- Office rent and basic business support costs (bookkeeping, legal services, etc.)
- Equipment and supplies for development (cannot be used or refurbished equipment and supplies);
- External business development or R&D services;
- Value Added Tax (VAT) only if the entity cannot claim a VAT refund for any reason. Before signing the contract, selected startups will be requested by the Fund to submit a VAT statement (Applicant's statement on the status regarding (ir)recoverability of value added tax).

The following costs and activities are not eligible:

- All costs incurred before the date of signing the contract;
- Debts and debt repayment costs (interest);
- Compensation for losses, debts or potential future liabilities;
- Expenses reported by the Applicant and financed under another action or program that receives funds from other public funding sources;
- Purchase of land or buildings, including renovation;
- Vehicle purchase and leasing;
- Costs of judicial and extrajudicial disputes;
- Costs for opening, closing and maintaining accounts;
- Currency exchange losses, fees and penalties;
- Loans to third parties;

² E.g., in case the beneficiary is asking the maximum amount of EUR 30,000 from the Fund, and the total project budget (excluding the cost of mentorship services) is EUR 33,333, the required mandatory co-financing of 10% will be EUR 3,333. Conversely, if the total project budget proposed by the beneficiary is EUR 35,000, the Fund will be able to contribute a maximum of EUR 30,000, while the beneficiary will have to secure the remaining EUR 5,000.

- Non-financial investments;
- Representation expenses;
- Relocation or subscription costs;
- Procurement of used or refurbished goods;
- Patent maintenance costs that did not arise from the project;
- Marketing costs related to the rental of media space (paid advertisements in digital, print, television, radio, or other media) are not eligible and cannot be financed through the project. This includes, but is not limited to: paid online campaigns, sponsored posts, rental of advertising space, advertising on social media platforms, and similar promotional expenses;
- All other costs that are not listed in the category of eligible costs.

4. Who should apply?

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

The program is open to applications coming from all sectors of the economy and all fields of science and technology.

However, at least 70% of the Fund's available resources under this Program will be allocated to applications within the priority areas of Montenegro's current Smart Specialization Strategy, depending on the quality of the projects.

5. Eligibility of Applicants

Eligible applicants for this program are:

- Teams comprised of 2 to 5 members

or

- Privately owned micro companies (in the form of limited liability company)³, incorporated in Montenegro⁴ for no longer than two (2) years at the time of Application submission.

In cases where the application is submitted by a team, if financing is approved, the applicants will be required to establish a company in accordance with the applicable Montenegrin Company Law. The newly established company must be 100% owned by at least two

³ Which are micro companies in accordance with the definition in Annex 1 of the GBER Regulation.

⁴ In accordance with the current Montenegrin Company Law in effect

proposed team member(s). The percentage of ownership among team members is subject to their internal agreement.

Each individual team member can participate in only one Application within the current public call regardless of the IF programs.

Applicant (private company) that meet any of the following criteria is **NOT eligible to apply or be financed**:

- Applicant has received EUR 25,000 or more from the Fund;
- Applicant has received EUR 50,000 or more from a private investor;
- Applicant had revenue greater than or equal to EUR 100,000 in any year from the moment of its incorporation;
- Applicant is partially or fully owned by another private or public sector (state-owned) company or entity;
- Any of the founders or proposed team members are majority owners or are in control of another small, medium or large company in Montenegro or abroad⁵, with the exception of a private micro-sized company;
- Any of the founders or proposed team members has 50% or more ownership in a company that is implementing a project financed under any of the Fund's grant programs (except innovation vouchers) at the time of submitting the application for this program.

Resubmitting the same, modified and/or improved application, which was considered for evaluation and rejected within this Program, is allowed **only once**.

The applicant must provide a clear description on what concrete steps have been undertaken to improve the project since the previous application. This progress can be achieved through working towards idea validation with potential clients, creating a demo version of the product, or conducting other activities relevant to the field of business that clearly present a path towards a more mature business idea.

All changes performed since the time of the previous application must be clearly stated in the application.

Before applying for the IF's programs, the Applicant is advised to carefully read all relevant documents and contact the IF staff if any questions arise.

6. Application Contents

In order for any application to be evaluated, it needs to be **submitted within the given submission deadline electronically through the Fund's portal**. The applicant is required to

⁵ Control shall imply the right or possibility of one person/entity, either independently or acting together with other persons/entities, to have controlling influence on the operations of another entity through an equity interest in share capital, an agreement or a right to appoint the majority of directors or Supervisory Board members, in line with the applicable Montenegrin Company Law (Official Gazette No. 65/20 on the 03.07.2020).

use the application documents templates provided by the Fund, which can be found on the Fund's website <https://fondzainovacije.me/programi-za-inovacije/>

The content of the application must be fully submitted in English, unless it is clearly specified otherwise.

The complete application documentation consists of the following two documents:

- *Signed Applicant statement (and stamped in case a company is an applicant);*
- *Application form* which has to be filled out and submitted in PDF format. It contains:
 - Details on the identified market problem, the proposed solution and its potential business cases;
 - Brief description background of the key personnel to be engaged on the project (minimum 2 and maximum 5);
 - Simplified budget;
 - *A video clip* representing the applicant's elevator pitch lasting no longer than **3 minutes**, including a brief presentation of the concept behind the product/service, and introduction of the team members. *This video presentation should not only contain sketches and numerical indicators. It should describe the way in which the problem was identified, the idea behind the product / service / technology and the explanation why the solution would be adequate for a wider range of users. This video clip must be recorded in English and the **link to the video must be provided in the application form** (Vimeo, YouTube or similar link). The applicant bears full responsibility for the quality of the video and its availability to the evaluators.*

Note: The application form must be submitted in the exact same visual and structural format and style as it is provided on the Fund's website. Any attempt to modify the application form by unlocking and/or altering the formulas or text will result in the application being disqualified from further evaluation. Applicants are allowed to use style formatting options within the predefined text boxes in the application form.

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

7. Evaluation criteria

All eligible applications will be evaluated based on the following 3 criteria:

Innovativeness and potential competitive advantage of the proposed solution
--

<p><i>Before discussing the specifics of the technology, the applicants need to clearly describe the problem they set out to solve, explain its specifics and then lay out the details of the proposed solution and state how it will help in solving the problem. This is the fundamental pillar of the application.</i></p> <p><i>Technology is important. A scalable, well-defined and elegant solution is one of the major prerequisites for establishing a competitive advantage. Applicants should be very specific about the current stage of product development and provide a roadmap for future activities.</i></p> <p><i>New products and services, enhancements of existing solutions and processes, new models of doing business are all welcomed. However, the program aims to support solutions that bring new added value to the business model, and is therefore not designed for applications that offer standard upgrades (e.g., standard software upgrades or simple product redesign). The Fund is not looking to support “me too” projects that offer no differentiation in comparison to existing products or business models.</i></p> <p><i>It is quite expected for young startup companies to pivot their ideas, and this isn’t in any way something you should be discouraged by.</i></p>	<p>Maximum 5 points</p>
<p>Market potential</p>	
<p><i>The focus of this program are solutions that could achieve broad market scale. This doesn’t disqualify startups and teams that are looking to solve a niche market problem, but they should be very specific in explaining how they will be able to grow a sustainable business.</i></p> <p><i>We are advising you to think about bigger ambitions from the get-go.</i></p> <p><i>Put your knowledge of the market on full display. Explain why this solution would offer premium value over existing ones. Describe your ideal customer. Be detailed about what is the value of your solution to identified users.</i></p> <p><i>Always think about the competition. They are not necessarily only those offering extremely similar products or same level of service, but could also be companies that are offering different solutions fulfilling the same needs you are looking to satisfy.</i></p> <p><i>Lay down the roadmap for getting the product on the market in your best-case scenario.</i></p>	<p>Maximum 5 points</p>
<p>Team competence</p>	
<p><i>The Fund is looking to support highly motivated, coachable and well-balanced teams that are complementary in terms of having technical knowledge, insight into how the market works, ability to spot market opportunities and the overall entrepreneurial capability to build a lasting business around their proposed solutions.</i></p> <p><i>Understanding how an industry works is of great importance. Previous experience of the co-founders in the field, or any other indication of experience that is relevant to project success is regarded as very useful.</i></p> <p><i>Track record of previous collaboration is a plus, but it is definitely not mandatory for a team to be successful.</i></p> <p><i>This program is not designed to directly favor teams that are prepared to devote their full time to developing their solution, but every investor prefers a team ready to put in maximum effort in order to complete all tasks on time and deliver.</i></p>	<p>Maximum 5 points</p>

8. Evaluation process

The Fund utilizes a professional Expert Committee (EC) made of external experts and investment professionals with rich international expertise in working with startups across a host of different industries to choose the most promising applications. The following sections cover all steps of the evaluation process.

8.1. Administrative and eligibility check and first screening of applications

All received applications will be subjected to the administrative and eligibility check, conducted by the Fund's program managers or other persons employed by the Fund as determined by the Executive Director. Please observe that in order to be considered for further evaluation, the application must comply with all rules described in this manual and be timely submitted in appropriate templates, while the applicant must comply with all requirements described under the section 5 "Eligibility of applicants".

In order to reduce the number of project proposals rejected based on administrative criteria, the Fund has prepared a supporting document—specifically, an Administrative Criteria Checklist for project proposals. If any answer in the Checklist is negative ('NO'), the application will be rejected. If, due to an administrative error, applicants submit a document in the wrong format or with an obvious technical error, the Fund may—only in justified cases—request the applicant to provide missing information or clarify documentation within a specified deadline. Such information or clarifications must not substantially change the proposal nor alter the terms of the call. Upon receipt, the Fund reserves the discretionary right to decide whether to accept them, while ensuring equal treatment of all proposals and the principle of proportionality. Supplementing the documentation is not permitted.

In order to select the best applications, the Fund's program managers will conduct the first screening of all eligible applicants. During this step, the program managers will assess if the application content is satisfactory and provides sufficient information in regards to the established evaluation criteria (especially related to the explanation of the product/service/technology, its competitive advantage or the identified market potential which the application has to cover in substantial detail). The program managers will eliminate those applications whose content is clearly lacking the information and substance as described above (i.e., unpopulated fields, applications with fields populated by single-sentence answers, or those offering very limited or vague information about their proposition).

Applicants that do not pass the administrative and eligibility check and first screening will be notified of this outcome by email, after the Fund completes its assessment of all submitted applications.

Applicants may lodge a complaint regarding the outcome of the administrative evaluation phase (citing evident omissions or errors made during this process) or for any other reason, by submitting an appeal to the Fund via email at startup@fondzainovacije.me no later than 8 calendar days after receiving the outcome notification through the portal. The Fund will provide an official response to the complaint within a maximum of 14 calendar days from its receipt.

In accordance with the signed Applicant's Statement and compliance with the program conditions, applicants accept that they have no right to objection or appeal regarding the evaluation commission's final decision on the approval of funding.

8.2. Pre-selection phase (first evaluation phase)

Applications which pass the administrative and eligibility check and first screening will qualify for the subsequent round of evaluation conducted by the Expert Committee (EC). The EC will assess all applications based on the content provided in the application form following the established evaluation criteria. Each member of the Expert Commission prepares an individual evaluation report. Once all three members of the Commission have assigned their scores for all four criteria, their scores are added together and divided by three, resulting in the average score. The EC members rate the individual aspects that make up each evaluation criterion, and rate each aspect on a scale of five numbers - from 1 to 5, with the possibility of awarding half points. Their ratings are equally valuable, and therefore the mean value is drawn. From the EC is expected to add a comment to each rating in a form that will provide clear feedback to applicants.

The final evaluation grade is formed based on the following formula:

$$K = (I + II + III) / 3$$

where *I*, *II* and *III* are the mean grades (calculated on the basis of the arithmetic mean for each criterion) and final grade *K* on the basis of the arithmetic mean for all criteria together. The mean grades and final grade are calculated by rounding to 2 decimal places.

As a result of the pre-selection phase (first evaluation phase), **applications that score minimum 3.5 out of 5 or above (average score of 3 criteria) will qualify for the final selection phase** (second evaluation phase).

At the end of the pre-selection phase, all applicants will be notified of the outcome via email/portal. Applicants who score below **3.5** and therefore do not advance to the final selection phase, will receive the EC's written comments on their projects in accordance with the evaluation criteria.

8.3. Final selection phase (second evaluation phase)

In the final phase of the evaluation, all pre-selected applicants will be required to submit their project presentations (pitch decks) to the Fund and then present their projects to the Fund's Expert Committee either live in person or via videoconference (as decided by the Fund). The format of this pitch event is based on a session lasting 15 minutes per each applicant, during which they are to present their projects and engage in a Q&A session with the EC.

Based on the results of the pitch and the overall evaluation of the projects, the Expert Committee will again score all preselected applications (using same evaluation criteria and methodology described in this manual) and make their final recommendation for decision on financing, for those applications that score **minimum 3,8 out of 5**. The Expert Commission, through the Fund's portal, prepares a joint summary evaluation report on the evaluation of project proposals in the second round. The joint summary report constitutes the sole official

evaluation document of the Expert Commission for the second round of evaluation and serves as the basis for determining the final score of the project proposal. The same shall be delivered to the applicants upon completion of the evaluation process.

All applicants that have participated in the final evaluation phase of the evaluation process will be notified about the outcome via portal and will receive the EC's written comments.

8.4. Assessment of environmental impact and social issues

Considering the nature of the activities envisaged under the Early-Stage Startup Development Support Program, which primarily relate to the validation of business ideas, the development of an initial prototype or a Minimum Viable Product (MVP), market research, and the establishment of a business model, and which do not involve physical interventions in the environment nor production processes with potentially harmful impacts, the proposed activities are not considered a significant source of environmental and social risk.

Accordingly, the Early-Stage Startup Development Support Program is exempt from the obligation to conduct a detailed environmental and social impact assessment, provided that none of the proposed activities fall under any of the items defined in the List of Prohibited Activities within the Environmental and Social Impact Assessment Framework Program of the Innovation Fund (ESIA Framework).

All applications considered for support shall be subject to review by the Fund in order to determine whether the proposed activities are included on the List of Prohibited Activities. Applications that include activities listed on the List of Prohibited Activities shall be excluded from further consideration.

9. Contracting and signing the financing agreement

Following the notification from the Fund that their application has been approved for financing, the applicant will be offered to sign the financing agreement with the Fund. **Beneficiaries that have applied as teams are required to establish a company by taking into account all requirements stated in the Eligibility criteria section.**

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

- Proof that the beneficiary is registered in the Central Register of Commercial Entities of Montenegro (CRPS);
- Details of the bank account to which the grant financing will be transferred;

- Documents related to the calculation of personnel salary costs;
- A valid offer for each cost (budget line) exceeding EUR 6,000, except for personnel costs;
- Procurement plan;
- Declaration form on de minimis aid (only for applicants registered as existing enterprises);
- A certificate or confirmation issued by the Commercial Court stating that bankruptcy proceedings or liquidation proceedings have not been initiated against the organization and are not ongoing, not older than 30 days from the date of submission of the request for issuance of the certificate (only for applicants registered as existing enterprises);
- A certificate confirming settled tax liabilities or an appropriate document on the rescheduling of tax debt issued by the Tax Administration, not older than 30 days from the date of submission of the request for issuance of the certificate (only for applicants registered as existing enterprises);
- Declaration on related parties.

The Fund reserves the right to amend the initially proposed budget and to impose specific conditions for each individual project, where it deems this necessary.

Prior to the signing of the financing agreement, the beneficiary shall be paired with an appropriate mentor (as described in Section 9.2) and shall commence with the implementation of the project.

Conditions for Project Implementation Following the Financing Decision

Following the Financing Decision, i.e. the awarding of the grant, the beneficiary shall be offered a Financing Agreement based on the published draft Financing Agreement and Annex 1 – General Terms and Conditions of the Agreement. By signing the Applicant’s Declaration, applicants agree that, in the event of the grant being awarded, they shall accept the contractual terms of the Financing Agreement.

9.1. Disbursement of funds

The Fund will disburse the project funds in tranches which are defined in Grant Agreement. As an additional prerequisite for receiving the Fund’s co-financing for each tranche, the beneficiary is required to provide proof of depositing their own proportional co-financing payments to the bank account which will be used for project payments. The Beneficiary bears full legal responsibility for this account, and documents all the payments made to and from it.

Schedule of payments of tranches is presented in the following table:

Tranche #	Deliverables required for the Fund's disbursement	Project budget funds %	Mentorship budget funds %
1 st tranche	<ul style="list-style-type: none"> • Mentoring agreement signed with assigned mentor; • Milestone plan formulated by the mentor and the beneficiary, approved by assigned mentor; • Proof of payment by the beneficiary for mandatory co-financing (bank statement) 	30%	-
2 nd tranche	<ul style="list-style-type: none"> • Idea and market need validation report approved by assigned mentor • Proof of payment by Beneficiary for mandatory co-financing (bank statement) 	30%	40%
3 rd tranche	<ul style="list-style-type: none"> • Prototype/MVP/pilot development report approved by the assigned mentor • Proof of payment by Beneficiary for mandatory co-financing (bank statement) 	20%	30%
4 th tranche	<ul style="list-style-type: none"> • Business model development report approved by the assigned mentor • Proof of payment by Beneficiary for mandatory co-financing (bank statement) 	20%	30%

The disbursement dynamics will vary based on the specific goals of each project, i.e., the actual time needed to fulfil the deliverables mentioned above. The Fund will provide templates of reports stated above to be used by the beneficiaries. All reports need to be confirmed by the Fund before any payments to the beneficiary.

9.2. Mentorship

The Fund has established a group of knowledgeable and experienced mentors that will help the beneficiaries with the implementation of their projects.

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

The purpose of engaging these mentors is to maximize the value the beneficiaries get and minimize the amount of time they would otherwise lose on discovering or establishing certain internal processes, structures and strategies. However, the skills and experiences of mentors serve to guide the startups, but not to force their development paths. Therefore, startups and mentors are matched based on mutual approval.

Upon signing the financing agreement and selecting their mentor, the beneficiary and the mentor need to formalize their cooperation and sign the mentorship agreement within 3 weeks. The Fund will provide a template for the mentorship agreement.

Mentors will provide consultancy and guidance, assist the beneficiaries to establish their goals and help them achieve the defined deliverables.

Mentors will provide the beneficiaries with assistance in the following areas:

- Structuring the team (coordination, communication, delegation)
- Creating the development/milestone plan
- Idea validation
- Interview with potential users (and other market research techniques)
- Defining the prototype/MVP/pilot
- Producing a viable business model

Besides providing their expertise and consultancy to the beneficiaries, the mentors will also ensure that the beneficiary is completing its activities in line with the defined milestone plan, and will confirm the satisfactory quality of deliverables that are mandatory for each subsequent payment by the Fund.

The Fund reserves the right to consult each mentor on the work performed by the beneficiaries on an ad-hoc basis.

Mentor's remuneration

Mentors are paid directly by the beneficiary from the funds transferred for this specific purpose by the Fund to the beneficiary. The engagement of each mentor is agreed mutually between the beneficiary and the mentor and specified in the mentorship agreement. The maximum total amount for the mentorship fee is EUR 5,000 per project. These funds can't be used for any other costs i.e., they cannot be relocated to other cost categories or purpose during the project implementation.

Standard recommended gross daily fee (8 working hours) for mentors is EUR 500.

One mentor can be matched with maximum three beneficiaries.

9.3. Project implementation and reporting obligations

At the beginning of project implementation, the beneficiary will provide the Fund with a detailed milestone plan and tentative timeframes for achieving the deliverables. Based on this plan, the beneficiary will report on the progress of these activities to the Fund, with the help of their mentor. **If needed, the Fund can require information about the project progress and financial progress in terms of grant funds spending at any stage of the implementation.**

In case that the beneficiary foresees any delays and problems in regards to achieving the milestone plan, they are obliged to inform the Fund.

Where the implementation of the project requires the beneficiary to conclude contracts for the procurement of equipment, services, and/or works, such contracts shall be awarded in accordance with the Rulebook on the Procedure for Conducting Procurement Processes for Entities Not Subject to the Public Procurement Law.

The beneficiary needs to archive all project documentation in the master file (digital and physical) for a period of **at least 5 years following project completion**. The project archive should include all relevant project implementation document (the original application documents, financing agreement, deliverables under the project, other contracts, official approvals, proof of payment, etc.).

The master file must be made available to the Fund and any entities named by the Fund for inspection upon official request.

As proof of project deliverables, the beneficiary is required to provide the following:

Deliverable	Expected outcome	Reporting and approval
Milestone plan	The milestone plan is created on the basis of time-critical events in the project. This plan should present each targeted milestone along with the scheduled deadlines within the project timeline.	Milestone plan must be signed by the beneficiary and approved by the mentor.
Idea and market need validation report	Conducting a survey with the relevant target group in order to confirm the existence of the market challenge validate the need for the proposed product among potential clients/customers.	The report should include all relevant data on the target group, type of the survey, questionnaire, summary of the results and the main findings. The report must be signed by beneficiary and approved by the mentor.
Prototype/MVP/pilot development report (demonstration of the product's fundamental technical viability)	The fundamental technical viability of the future product or service needs to be demonstrated. These functionalities need to offer sufficient value to attract early adopters (and in the case of a pilot to prove that it can function in a relevant environment).	The report should include the description of what has been accomplished in terms of technology development, and must include pictures, videos or any other material relevant for this deliverable. The report must be signed by the beneficiary and approved by the mentor. The Fund reserves the right to require the demonstration of the technology.
Business model development report	Establishing a suitable business model for the product. This should be accompanied by solid market research, competition analysis and future product roll-out strategy.	This deliverable is presented in the template provided by the Fund. The report must also be signed by the beneficiary and approved by the mentor.

The Fund reserves the right to request additional information at any point of the project implementation and 5 years after the project implementation. Furthermore, if deemed necessary, the Fund will conduct an on-site monitoring visit in order to get better acquainted with the progress made by the beneficiary.

If the beneficiary breaches the financing agreement or generates ineligible expenses, the beneficiary will be legally obligated to pay back the received financing or any part of it as deemed appropriate by the Fund.

The Fund will conduct monitoring activities of every project in accordance with the scope, dynamics and principles defined in the Project implementation guidelines which will be available on the Fund's website. This document provides detailed instructions on how the monitoring process works and what the beneficiary is required to provide to the Fund in order to justify the project expenses and describe the achieved progress.

For the purpose of this project, the Fund plans to use a simplified monitoring procedure which relies on the beneficiary providing a list of project-related expenditures for the Fund's records, alongside any supplemental information which the Fund might require.

Once the beneficiary successfully completes the final milestone and the Fund approves it and disburses its final tranche, the project will be considered as finished.

9.4. Pivoting the idea

The Fund is looking to support the most promising applications, but even ideas which initially sound very robust and well-rounded have room for improvement as they progress. Through the process of idea validation and interviews with a broader base of potential users, the beneficiaries might learn about new ways on how they should improve and adapt their products to better fulfil the market need.

This might require the beneficiary to reconsider their concept and redefine their approach to problem-solving in order to fit it better to customer needs.

Though pivoting the idea might take additional time and resources, it is often necessary for startups in this development phase. In case the need for this action arises, the beneficiary should promptly notify the Fund and start working on the revision of the development plan with the mentor. **The revised plan needs to be formally approved by the Fund before the project moves forward in its new shape.** In case that the new plan requires additional time, it must also be clearly communicated with the Fund. The amount of funds granted from the Fund's side is not subject to increase, regardless of the beneficiary's need to pivot or alter the original development plan.

9.5. IP and know-how requirements

Any new IP and know-how which may be created during the implementation of the project must belong to the Applicant. To ensure this, the Applicant has to secure these IP and know-how rights in agreements concluded with any third party.

9.6. Visibility requirements

The Beneficiary must take all necessary steps to publicize the fact that the IF has co-financed its project. As far as possible, projects that are funded by the IF must incorporate information and communication activities designed to raise the awareness of specific or general audiences of the reasons for the project and the IF support for the project in the country or region concerned, as well as the results and the impact of this support.

10. Conflicts of interest and confidentiality of information

All procedures related to the implementation of this program are done with utmost diligence and any conflicts of interest from any party engaged in the process from the Fund's side will be promptly declared. Any member of the Fund's staff or Expert Committee member involved in the above procedures will be required to declare any personal or organizational relationship or interest in any enterprises or individual applicants, and/or disclose those interests in which they have a particular stake.

Additionally, applicants are to take all necessary precautions to avoid real or perceived conflicts of interests and shall inform the Fund without delay of any situation constituting or likely to lead to any such conflict.

Conflict of interest is present in, but not limited to, situations where the impartial and objective exercise of the functions of any applicant, Expert Committee member, or the Fund's staff or consultants in relation to the execution of this project is compromised because the said applicant, EC member or staff member is in a position to derive personal benefits from actions or decisions made in their official capacity due to personal or professional relationships.

Furthermore, the Fund will treat the ideas, materials and documents submitted by the applicants within this program as confidential information in line with best international practices.

ANNEX Obligations related to de minimis aid

Grants awarded to micro, small and medium-sized enterprises as part of this Program represent *de minimis* aid in the sense of the Law on Control of State Aid (Official Gazette, 12/18). De minimis aid for activities within this Program is granted according to the rules for granting *de minimis* aid in the sense of Commission Regulation (EU) no. 2023/2831 from December 13th, 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid⁶ (hereinafter: *de minimis* Regulation), which is applied in Montenegro in accordance with the Rulebook on the list of rules on state aid - attachment 7⁷.

The upper limit of de minimis aid that can be awarded to one company, that is, micro, small and medium-sized enterprises within this Program, in accordance with Article 3 paragraph 2 of the de minimis Regulation, may not exceed EUR 300,000 during any period of three fiscal years.

The stated upper limit of EUR 300,000 is applied per one company, regardless of the form of *de minimis* aid or the goal that is intended to be achieved, as well as regardless of whether the aid granted is financed entirely or partially from funds that are from the European Union or from Montenegro.

For the purposes of the upper limit established by Article 3 paragraph 2 of the *de minimis* Regulation, the aid is expressed as non-reimbursable financial resources. All amounts that are applied are gross amounts, i.e., amounts before deduction of taxes and other fees. The aid that is paid in several instalments is discounted to the value of the assistance at the time of its award. The interest rate that is applied when discounting is the discount interest rate that is applied at the time of granting the *de minimis* aid.

If the allocation of new *de minimis* aid could exceed the corresponding upper limit of *de minimis* aid, none of it can be granted on the basis of this Program.

De minimis aid from this Program is considered granted on the day of the decision on the award of de minimis aid by the Innovation Fund, regardless of the date of payment of the *de minimis* aid to the company.

De minimis aids as part of this Program are allocated in compliance with the rule from Article 2 paragraph 2 of the *de minimis* Regulation, according to which all entities controlled, on a legal or *de facto* basis, by the same entity are considered one company. The term "one company" includes all companies that are in at least one of the following mutual relations:

⁶ Official Gazette 2023/2831, 15.12.2023.

⁷ Official Gazette no. 034/26, 12.03.2026.

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

Companies that are in any of the relationships mentioned in sections a) to d) through one or more other companies are also considered as one company.

The applicant is obliged to submit a statement on all companies with which he is connected according to the definition of a company.

Excluded activities and products

De minimis aid from this Program cannot be awarded:

- a) for activities aimed at exporting to third countries or member states of the European Union, i.e., aid that is directly related to the exported quantities, to the establishment and functioning of the distribution network or to other current costs related to the export activity⁸;
- b) if the aid is conditional on the use of domestic products instead of imported ones.

In case of a merger and takeover of an enterprise, in accordance with Article 3 paragraph 8 of the *de minimis* Regulation, when determining whether the corresponding highest applicable upper limit of the de minimis aid is respected with any new de minimis aid granted to a new company or a company that takes over another company, all previously assigned de minimis aids to any of the companies involved in the merger procedure are taken into account. De minimis aids that were legally granted before the merger or takeover are still in accordance with the law.

If a company is divided into two or more companies, the *de minimis* aid granted before that division is awarded to the company that benefited from it, which is basically the company that took over the activities for which the de minimis aid was used. If such distribution is not possible, de minimis aid is allocated proportionally, based on the book value of the equity capital of the new companies on the effective date of the division.

Cumulation of state aid

⁸ De minimis aid for the costs of participating in fairs, that is, for the costs of studies or consulting services required for the introduction of a new or existing product to a new market in other countries does not constitute export aid.

The *de minimis* aid granted under this Program can be cumulated with the *de minimis* aid granted for the provision of services from the general economic interest to the upper limit established in Commission Regulation (EU) no. 2023/2832 on the application of Article 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to companies that provide services of general economic interest⁹.

The *de minimis* aid granted under this Program cannot be cumulated with state aid for the same justified costs or with state aid for the same measure of risk financing if such cumulation would exceed the highest applicable intensity or amount of aid determined in the specific circumstances of each individual case by the regulation on group exemption, that is, by the decision of the Agency for the Protection of Competition. The *de minimis* aid that is not granted for certain justified costs or cannot be attributed to them may be cumulated with other state aid in accordance with the block exemption regulation or by decision of the Agency for the Protection of Competition.

Control and monitoring of de minimis aid

The Innovation Fund, as a provider of *de minimis* aid for the activities provided in this Program, prior to awarding that aid, informs the applicant in written form of the intended amount of *de minimis* aid expressed in the form of gross monetary value (subsidy equivalent), as well as the fact that he is *de minimis* aid beneficiary, referring to *the de minimis* Regulation stating its name and data on its publication.

The Innovation Fund grants *de minimis* aid from this Program only after receiving a statement from the applicant, in written or electronic form, about all *de minimis* aid received in Montenegro from any competent authority in the previous two and in the current fiscal year (Statement form can be found in the application documentation for this Program).

The Innovation Fund grants new *de minimis* aid under the *de minimis* Regulation only when it determines that it will not increase the total amount of *de minimis* aid received by the applicant up to a level that exceeds the corresponding upper limit from Article 3 paragraph 2 of the *de minimis* Regulation and that all the conditions stipulated by this Program and *the de minimis* Regulation for the award of that aid have been met.

The Innovation Fund keeps records, that is, collects and records all information related to the allocation of *de minimis* aid within this Program and the fulfilment of all conditions from the *de minimis* Regulation. Records of *de minimis* aid awarded under this Program

⁹Official Gazette 2023/2832, 15.12.2023., p. 10.

shall be kept for 10 fiscal years from the date on which the last individual aid from this Program was awarded.

Upon written request, within 20 working days or within a longer period specified in the request, the Innovation Fund will submit to the Agency for the Protection of Competition all the information that this Agency deems necessary in order to assess whether the conditions from the *de minimis* Regulation have been met, and in particular, on the total amount of *de minimis* aid received by any company on the basis of that Regulation or other regulations on *de minimis* aid.

The previously described rules on the awarding of *de minimis* aid within this Program apply until December 31, 2030.