Pursuant to Article 12 of the Law on Innovation Activities (Official Gazette of Montenegro 82/20) and the Action Plan of the Smart Specialisation Strategy (S3) for the period of 2019–2024,

MINISTRY OF SCIENCE
announces
CALL FOR PROPOSALS
for support to develop strategic priority of the Smart Specialisation Strategy
– Information and Communication Technologies -

I INTRODUCTION

I.1 Challenges

Montenegro is the first candidate country for EU membership to have adopted the Smart Specialisation Strategy (S3) along with an Action Plan, for the period of 2019–2024. This Strategy is in fact an important development strategy of the EU Member States. By adopting this policy document, Montenegro has confirmed its readiness to implement policies in the same manner as EU Member States. The Smart Specialisation Strategy of Montenegro (2019-2024) was adopted as an overall development strategy that sets the ground for the improvement of knowledge-based economy (www.s3.me). By adopting this policy document, Montenegro has initiated transformation of its economy, focussing on competitiveness throughout. Based on knowledge and natural resources clear strategic priorities have been defined, in order to generate socio-economic values in an effective manner. The priorities identified under the S3 Strategy in which Montenegro has comparative advantages are the following:

a) Sustainable agriculture and Food value chain;
b) Energy and Sustainable environment;
c) Sustainable and Health tourism; and
d) Information and communication technologies as a horizontal sector (which gives added value to all the above areas and has the potential to generate a new sector of the economy).

The national innovation system in Montenegro needs to be further strengthened in the above S3 domains, especially in the field of ICT, which is a prerequisite to strengthen other priority areas. Furthermore, it is necessary to intensify activities involving innovative businesses, start-ups, creative students and their mentors, educational institutions, state authorities and other stakeholders in order to spread innovation culture and increase the value of innovative business ideas, including the creation and better protection of intellectual property.

Economic growth based on innovation and technological development requires the IT sector to become a new strong economic activity that will create export products and serve the function of increasing the competitiveness of the Montenegrin economy on a global scale. At the same time, it is necessary to work on increasing the number of highly educated and experienced IT professionals and motivating young people to get involved in this important sector. There is also need for developing an international partnership network, which will strengthen the capacity to work on larger international projects.

In order to improve cooperation in the innovation system and to create added value, a concept of innovative cluster was identified an important instrument to achieve this goal. Clusters are entities in the economic and innovation system that are highly relevant for smart specialisation strategies. This

is especially valid for clusters operating in the priority areas defined in these strategies, with a focus on high and medium technological activities, providing that they stimulate new types of knowledge transfer and that they influence new growth tools in the economy.

In the new Law on Innovation Activities of Montenegro, clusters, i.e., cluster organisations are defined as innovation infrastructure entities that support the strengthening of cooperation, networking and learning in innovation clusters and provides specialized services to stimulate innovative activities, especially in micro, small and medium-sized enterprises.

I.2 Goal of this Call

The present Call contributes to the implementation of the Smart Specialisation Strategy of Montenegro (2019-2024), in the priority domain of ICT.

The goal of this Call is to provide support for the establishment and operation of a strategic cluster in the field of information technologies. Cluster should foster strengthening of the capacity – first and foremost human including internationalisation of domestic IT companies. It should also focuss on growth of export of IT services, strengthening innovation orientation and competitiveness of companies with a vision to boost national innovation system and to achieve the goals of the Smart Specialisation Strategy of Montenegro.

By professionalising its work and coordinating the most important actors in the business and academic sector, but also other relevant stakeholders in the country, the IT cluster should significantly contribute to identify challenges in the field of IT and increase the number of employees in this very profitable sector, which is necessary for development of Montenegro.

With a well-established functional innovation ecosystem, the IT sector will become the foundation for Montenegro's future development. The goal is that IT becomes a strong sector of the economy, that could become leading export activity of Montenegro. A strong IT economy will further increase the competitiveness of traditionally strong industries. Through the cooperation of actors in the IT community there will be an increase in the number of skilled employees. This will slow down brain drain offering attractive possibilities into the digital world. Strengthening the IT sector will also contribute to the digital transformation of society, with the digitalised public administration responding to the needs of citizens and the economy. All this is in the direct public interest of all generations.

II. REQUIREMENTS

Support provided through the present Call for Applications will be implemented pursuant to the Rulebook on Amendments to the Rulebook on the List of State Aid Rules (Official Gazette of Montenegro 35/14, 2/15, 38/15 and 20/16, 33/20 and 98/20) with regard to all the activities supported within the cluster, as well as pursuant to the Rulebook on the Manner and Form of State Aid Notifications (Official Gazette of Montenegro 42/20).

II.1 LEGAL ENTITIES ELIGIBLE TO APPLY

This Call is open to:

a) <u>Existing clusters</u>: i.e., a legal entity in the form of a company or non-governmental organisation, for which the cluster activity in the field of information technology is the core activity. This legal entity should be registered as a cluster organisation within the deadline set by the Law on Innovation Activities and related bylaws.

b) <u>Clusters in the process of establishment</u>: a legal entity that is active in the field of information technology and plans to be established within four months after receiving the support, a cluster organisation in the field of information technology, as a separate legal entity, established as a company or a non-governmental organisation and registered as a cluster organisation. The legal entity applying for support will be obliged to transfer the contractual provisions to the newly established legal entity.

The number of members – companies, scientific research or innovative organisations, non-governmental associations or other constituents of the company referred to in item II.1 under a) or of the future company referred to in item II.1 under b), should be at least eight. Proof of the number of members shall be submitted in the form of a founding act or a statement of intent of a member to join the future cluster organisation.

II.2 BUDGET OF THE CALL AND CO-FINANCING

The Ministry of Science will co-finance a programme for development of a strategic innovative – IT cluster with up to 50% of the total programme costs, up to a maximum of EUR 900,000 over a period of three years.

The cluster is expected to co-finance the activities in accordance with state aid rules.

Through the present Call for Proposals, the Ministry of Science envisages support for a single programme, or, in the exceptional case of high-quality applications that fit into the planned total amount of support, two programmes.

<u>In case that one cluster receives support from two different state aid programmes</u>, which relates to the same eligible costs, the funds will be allocated up to the amount that does not exceed the maximum allowed aid intensity, which is in line with the principles of state aid cumulation.

III. ACTIVITIES SUPPORTED THROUGH THE CALL

A programme supported through the present Call may include the following activities:

Activity group 1: Establishment and support for organisational and administrative cluster strengthening

- Engagement of staff for the management and coordination of cluster activities, providing resources, purchasing equipment needed to manage a cluster organisation; and

- Raising the capacity of cluster organisation management – participation in professional seminars, conferences, information events, etc.

Activity group 2: Creation of professional development programmes with the aim of strengthening human capacities in the IT sector

- Creation of programmes and implementation of specialised trainings whose end users are individuals (with higher education, students, secondary school students, employed and unemployed persons) with the aim of strengthening human capacities in the IT sector;

- Engagement of experts and lecturers to create and implement specialised training programmes, among the members of the cluster organisation, as well as external lecturers from the country and abroad;

- Procurement of fixed assets for joint activities of the cluster for the needs of training – equipment for training rooms, test laboratories, facilities, etc.; and

- Procurement of intangible assets for joint cluster activities in this domain – specialised software, patents, licenses, trademarks, etc.

Activity group 3: Internationalisation and creation of partnership

- Support for internationalisation and attracting new members: organisation of events or participation in events presenting the cluster, products / services of its members, with the aim of creating new partnerships, entering new markets, etc.; organisation of trainings or participation in trainings in the country and abroad for cluster capacity increase and internationalisation; cooperation with other clusters in the country and abroad;

- Cluster marketing: development of cluster marketing strategy, consulting services (domestic and foreign market surveys, information flow, contracting partnerships, business development, etc.) with a view to opening and entering new markets; cluster branding and promotion of its products and services; cluster participation in fairs and exhibitions; obtaining the "European Cluster" label awarded by the European Secretariat for Cluster Analysis; visibility of the support programme; and

- Audit and control of support programmes.

IV.   CONTENT OF THE APPLICATION PROGRAMME:

- Completed Application form (Form No. 1);
- Budget table (Form No. 2 – Excel);
- Financial statement of the applicant and members of the cluster / future cluster on the amount of co-financing (Form No. 3);
- Information on Programme holder and cluster members;
- Excerpts from the Central Register of Business Entities (or Statute in case of NGOs) for members / future cluster members with proof of core activity;
- List of references of cluster members / future cluster members with 10 largest implemented projects in the period of 2015-2020, indicating the contractor, the role in the project, the contracted value of the project and the description of the delivered products / services;
- CVs of members of the management team – CV-format;
- Professional development programme for strengthening human capacities in the IT sector, which will be implemented by the cluster organisation (if any);
- CVs of planned lecturers for education and training programmes (up to 10 CVs, including their written consent to participate in the training programme);
- Financial statements of the applicant or members of the future cluster organisation, for the last two years (if relevant);
- Statement of settled tax liabilities or agreement on their gradual settlement;
- Statement that the applicant is not undergoing bankruptcy or liquidation proceedings; and
- Other information that the applicant considers useful for the cluster work programme.

V.   WORK PROGRAMME BUDGET

The programme budget includes the costs of all planned activities in the three-year period, which are in line with the subject-matter and goal of this Call . The co-financing by the Ministry of Science can apply to any category of envisaged eligible costs, in accordance with the state aid rules.

The funds should be spent in a centralised manner, by the cluster organisation (programme holder).

Eligible costs can be:

- Direct costs – **cost of salaries** of staff employed in the management of the cluster organisation;
- Direct costs – **equipment, devices, software**;
- Direct costs – **material costs** related to the implementation of the above permitted activities, including subcontracting costs; and
- Indirect costs and contingency – in the amount of 15% in relation to total direct costs.

Ineligible costs are:

- Costs already financed through another project of the programme holder or cluster members / future members;
- All costs incurred outside the agreed time frame (before the start date of the work programme and after its completion);
- Purchase of land and real estate, procurement of vehicles, and construction of buildings;
- Losses due to negative exchange rate fluctuations, fees and penalties;
- Repayment of interest or debt to anyone;
- Advance payments, unless there is an advance guarantee; and
- Other costs found by the Ministry of Science as unnecessary or impermissible.

VI.   PROGRAMME IMPLEMENTATION PERIOD

The cluster financing agreement is concluded for three years, provided that the annual external evaluation of the work is positive and that it is recommended to continue financing. The agreement also contains penal provisions in case of a negative evaluation of the work on the programme, including the obligation to reimburse funds to the state budget.

The programme implementation is envisaged to start in the first quarter of 2021.

VII.   APPLICATION EVALUATION

The evaluation of the received applications will be performed by an international expert commission formed by the Ministry of Science. The results of the Call for Proposals will be published on the ministry's website, www.mna.gov.me.

VIII. PROGRAMME EVALUATION CRITERIA

Programme evaluation criteria are the following:

1. **Quality of the cluster development programme (total: 40 points);**
2. **Implementation and feasibility (total: 30 points); and**
3. **Impact (total: 30 points).**

1. **Quality of the cluster, i.e., cluster organisation / future cluster organisation work programme** – engagement of experts and lecturers for the creation and implementation of training programmes in the field of IT from among the cluster organisation members as well as external lecturers from the country and abroad; purchase of fixed assets for joint cluster

activities in the field of education and training – equipment for training rooms, test laboratories, facilities, etc.; for improving the situation in the IT economy in Montenegro, addressing the identified challenges, strengthening the cooperation of IT actors in the country and their connections at the international level with other clusters; the quality of the proposed training programmes; improving the quality of products and services of cluster members through defined services of the cluster organisation; CVs of the management team and lecturers;

2. **Implementation and feasibility** – number of cluster members, their human capacities, innovativeness of their products / services, revenues made on foreign markets; diversity of cluster members, i.e., belonging to different sectors (business, academic, NGO); efficient planning of human resources and budget; amount and share of co-financing of cluster development programme; planned spatial capacities and equipment; efficiency of decision-making mechanisms; self-sustainability plan; risk management plan; etc.; and

3. **Impact** – how the programme will ensure the impact on the growth of the IT economy and the implementation of the Smart Specialisation Strategy of Montenegro (2019-2024); how it will affect the strengthening of human resources in the IT economy; how it will contribute to the improvement of innovation culture in the medium and long term and what place it will occupy in the national innovation system; how it will contribute to business development (opening new markets, increasing market potential); how it will contribute to a better international position of companies from the IT sector in Montenegro; what are the measures to increase the impact of the programme – dissemination, communication activities.

VIII.1 PERFORMANCE INDICATORS

The key result indicators are:

1. Number of cluster members;
2. Number of accredited educational programmes for lifelong learning in the field of IT;
3. Number of IT experts trained through implemented training programmes; and
4. Number of initiated activities / projects of coordination and support to cluster members.

The key outcome indicators are:

1. Growth of the cluster organisation (number of employees within the cluster members);
2. Annual revenues of IT companies (cluster members); and
3. Annual value of exports of IT services by cluster members.

IX.   ETHICAL CONSIDERATIONS

During the process of preparing the programme proposal, the applicants shall be obliged to observe ethical principles and rules, including protection against conflicts of interest.

If the proposed work programme implies an ethical issue in the implementation phase, the applicant shall be obliged to submit a plan for resolving the ethical issue.

X.   DEADLINE FOR APPLICATIONS

The deadline for submitting applications is **30 November 2020, by 2:00 p.m.**

XI.   LANGUAGE OF APPLICATIONS

The applications to the Call for Applications shall be submitted in English, due to the international expert evaluation of the applications.

XII.   CONCLUSION OF THE AGREEMENT

The Ministry will conclude an agreement with the cluster / cluster organisation programme holder accepted for financing, which will regulate mutual rights and obligations.

XIII.   MANNER OF SUBMISSION OF APPLICATIONS

Completed and signed applications with supporting documents shall be submitted to the Ministry of Science in one hard copy (original), at the following address: Rimski trg br. 46, 81000 Podgorica, with the following remark: Prijava na Konkurs za S3-IT klaster (Application to the Call for Proposals for S3-IT cluster). The applications also need to be submitted electronically, via Naučna mreža portal (the link will be made available in due time).

The text of the Call for Applications and application forms are available at the website of the Ministry of Science: http://www.mna.gov.me/biblioteka/Konkursi

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