

**Ministry of Industry and Trade  
of the Czech Republic**

**OPERATIONAL PROGRAMME  
ENTERPRISE AND INNOVATION**



**Prague – December 2012**



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## INTRODUCTION

Following the Third report on economic and social cohesion of the EU (February 2004) the European Commission adopted proposals for new legislation regarding the reform of the cohesion policy in June 2004. The objective for the years 2007 - 2013 is to focus structural support more on the EU's strategic objectives (i.e. on Lisbon and Goteborg conclusions regarding the competitive and knowledge based economy and the European employment strategy). Five new regulations for drawing financial support from the Structural Funds and the Cohesion Funds by EU member states for the years 2007-2013 were adopted by the European Parliament in July 2006.

The regions of the Czech Republic NUTS II - with the exception of the Capital City of Prague – have been included under the objective “Convergence” for the programming period of structural funds 2007 – 2013 put under the Objective “Convergence” and will therefore be able to use the support from the Structural Funds (i.e. from the European Regional Development Fund and European Social Fund) and from the Cohesion Fund of the EU. This objective is similar to Objective 1 valid for the programming period 2004–2006. It aims to speed up the economic convergence of the least developed regions of the EU, improve the conditions for employment growth through investments into material and human resources and support innovations and development of a knowledge based economy.

For the purpose of determining the conditions for provision of financial support from the Structural Funds and from the Cohesion Fund of the EU the member states are obliged to draw up operational programmes and submit them to the European Commission for approval. The Ministry of Industry and Trade of the Czech Republic has prepared the **Operational Programme Enterprise and Innovation** (“OPEI”) for the period 2007 – 2013. This is the main programming document for the realisation of the policy for economic and social cohesion in the industry sector and an important tool for the realisation of the strategy for the development of small and medium-sized enterprises for the period 2007-2013 approved by the Government of the Czech Republic under resolution No 392/2006.

The Operational Programme Enterprise and Innovation builds on the Operational Programme Industry and Enterprise (OPIE) which ran between 2004-2006 following the Czech Republic's accession to the European Union. The OPEI has been compiled in the context of the main strategic documents of the Czech Republic (the Economic Growth Strategy, the Strategy of Regional Development, the Sustainable Growth Strategy, the National Innovational Policy etc). The OPEI is in agreement with the General Guidelines of the Cohesion Policy of the EU 2007-2013 (Community Strategic Guidelines, 2007–2013) and elaborates an important part of the strategic objective of the National Development Plan of the Czech Republic 2007–2013 - “Competitive Czech economy”.

An important goal of the OPEI – in compliance with the NSRF and the NDP – is the improvement of the entrepreneurial environment in the Czech Republic as one of the key elements of the future successful development of the Czech economy. A dynamic entrepreneurial environment creates conditions for successful start-ups and development of competitive firms that create new jobs and strengthen economic and social cohesion.

Czech businesses still fall short of the countries of the European Union in terms of quality, equipment, efficiency and innovation. The proposed Operational Programme Enterprise and Innovation aims to remove or eliminate these problems and flaws. This is why its global objective is to increase the competitiveness of the industry and service sectors and to develop enterprises, to maintain the attractiveness of the Czech Republic, its regions and towns for

investors, to support innovation, to stimulate demand for the results of R&D, to commercialise R&D outputs, to support the development of an entrepreneurial culture and to grow the knowledge economy through the development of new capacities for the implementation of new technologies and the creation of innovative products including new information and communication technologies.

In the future years the economic and employment policies of the European Union should be oriented with regard to the amended Lisbon strategy. The member states of the EU have been called on to execute the reforms to which they have been committed within the Lisbon process. At the same time new measures have been determined at the level of the European Union and the member states that will enable to fulfil the objectives of the Lisbon strategy.

As far as the main macroeconomic directions are concerned the member states should ensure economic stability, secure economic sustainability, support effective allocation of resources and support higher cohesiveness between macroeconomic and structural policies. For the microeconomic sphere it is proposed to enlarge and intensify the operation of the internal market, to encourage open and competitive markets, to create a more favourable entrepreneurial environment, to promote entrepreneurial culture, to create an environment supporting small and medium-sized enterprises, to increase and improve investments into research and development, to facilitate innovation and the implementation of information and communication technologies.

Of particular importance in the programming period is the mobilisation of relevant financial sources and the reinforcing of the connection and coherence between the EU and the national policies in the Lisbon strategy context through joint technology initiatives, joint implementation of national research programmes and the creation of European level structures for the development of science and industry.

For financing the aid from the European Union Structural Funds in the period 2007-2013, the mono-fund principle applies. Thus the aid provided within the Operational Programme Enterprise and Innovation, which will be implemented within the objective “Convergence” and will apply to the entire territory of the Czech Republic, except the Capital City of Prague, will be drawn from the European Regional Development Fund (ERDF). The principle of “one fund for one programme” will be accompanied with the possibility to finance up to 10 % of the activities in terms of eligible costs from the European Social Fund (ESF). However, these activities will be financed from the ERDF (so called cross-financing). Cross-financing is not being considered for the first three years of the implementation of the OPEI.

The participation of economic subjects in the programmes supported from the Structural Funds of the EU must comply with the EU’s rules for the state aid. Also the principles of horizontal policy of the EU must be respected and obeyed. These include ensuring sustainable development, observing the conditions for environmental protection, support of equal opportunities, support of information society and balanced regional development.

The preparations of the Operational Programme Enterprise and Innovation respected the legal framework of the Czech Republic and the legislation of the European Union. For the programming period 2007-2013, the following strategic documents of the European Union and the Czech Republic and conceptual documents of the Ministry of Industry and Trade were consulted and taken into account:

**Legislation of the Czech Republic:**

- Act No 218/2000 Coll., on the Budgetary Rules as amended
- Act No 320/2001 Coll., on Financial Control in Public Administration and Amendments to Some Acts as amended
- Act No 137/2006 Coll., on Public Procurement
- Act No 250/2000 Coll., on Budgetary Rules of Regional Budgets
- Act No 47/2002 Coll., on Support of Small and Medium-Sized Enterprises and on the amendment of the Act No 2/1969 Coll., establishing Ministries and other Central State Administration Authorities of the Czech Republic, as amended by Act No 1/2004 Coll., and by Act No 690/2004 Coll.

**Legislation of the European Union for the programming period 2007-2013:**

- Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (hereinafter only as General Regulation on the SF and the CF)
- Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999 (hereinafter only as Regulation on the ERDF)
- Commission Regulation (EC) No. 1828/2006, of 8 December 2006, setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (known hereinafter only as the Implementation Regulation).

**Strategic documents of the European Union and the Czech Republic:**

- Community Strategic Guidelines
- Economic Growth Strategy of the Czech Republic
- National Development Plan of the Czech Republic 2007-2013
- National Strategic Reference Framework of the Czech Republic 2007 - 2013
- National Innovational Policy of the Czech Republic

**Conceptual documents of the MIT:**

- Industrial Policy of the Czech Republic, State Energy Concept of the Czech Republic, Concept of the Support of SMEs, Raw Material Policy of the Czech Republic etc.

**Coordination of the preparation of the programmes at the national level:**

- Responsibility for preparing the National Strategic Reference Framework (“NSRF”, a fundamental document for the negotiations with the EC) was given by the Czech Government to the Ministry for Regional Development through the Managing and Coordinating Committee (“MCC”) established by the Government for the purpose of coordinating the support provided by the European Community at state level. The Ministry of Industry and Trade as a cooperating sector participated in preparing the NDP and NSRF through its representative in the MCC and its representatives in the



workgroups. The role of the MCC in 2007-2013 has been set out by the Czech Government Resolution No. 245, of 2 March 2005. The MCC also works as the Monitoring Committee for the NSRF.

- By its Decision No. 198, of 22 February 2006, the Czech Government appointed the Ministry for Regional Development as the coordinating and methodological body (the National Coordination Authority, NCA) with responsibility for determining a uniform framework for the management of the support provided from the Structural Funds and from the Cohesion Fund in the Czech Republic in the years 2007-2013. The National Coordination Authority is responsible for the overall coordination of the NSRF, and it is the official partner of the European Commission on issues concerning the implementation of economic and social cohesion policy as a whole.
- By Resolution of Government No 175/2006 of 22 February 2006 the Minister of Industry and Trade was assigned the function of Managing Authority of the Operational Programme Enterprise and Innovation. Compiling the OPEI is fully the responsibility of the Ministry of Industry and Trade.
- When preparing the OPEI the MIT closely cooperated with the MEYS, MoLSA, MoE and the MoA, and other relevant ministries and with the Regional Councils of the Cohesion Regions (NUTS II).

During the preparatory phase of the Operational Programme Enterprise and Innovation external bodies were assigned to work out partial studies; their purpose was to map, for the next EU Structural Funds' programming period, 2007-2013, the needs of small and medium-sized enterprises and the possibilities of the SMEs' support, the challenges involved in developing the knowledge economy in the Czech Republic, an analysis of services for industry, and the fundamental grounds and orientation of the operational programme of the MIT. The specific studies were undertaken as follows:

- "Conceptual aims of the development of small and medium-sized enterprises 2007 - 2013" (September 2005)
- "A study on securing the needs of financing the development of knowledge economy in the Czech Republic with focus on innovation for the next programming period 2007-2013" (November 2005)
- "An analysis of services for industry" (November 2005)
- A study "Fundamental grounds, orientation and characteristics of the operational programme of the MIT for a new programming period 2007-2013" (January 2006)

The OPEI was an object of an ex-ante evaluation and of a strategic evaluation of the environmental impact (SEA) by independent evaluators, pursuant to EU regulations on Structural Funds and on the Cohesion Fund. The OPEI complies with international and national documents regarding environmental protection.

Current strategic documents of the Czech Republic aim to bring the Czech Republic closer to the level of more economically developed countries of the European Union. The documents on the strategic development of the Czech Republic related to the support of enterprise, innovation and to the knowledge economy endorse increasing the prosperity, competitiveness of the Czech economy and the labour productivity. The documents propose a number of measures in order to finance research development and innovation, establishing new firms; to adopt necessary legislative instruments, to develop human resources in research, development

and in universities; to support the development of the national innovation infrastructure and research and development capacities and to participate in international R&D cooperation.

The support proposed in the national strategic documents of the Czech Republic can be summarised in the following points:

- Financing – to increase expenditures on research, development and innovation, to focus the resources on research and development, to use private sources for financing research and development, to form programmes supporting the establishment of new firms and their development (risk capital funds), to reduce costs related to the protection and exploitation of IP.
- Legislation and institutional environment – to facilitate the formation of spin-off firms from research institutions, to improve support in developing, protecting and exploiting intellectual property, to remove the barriers involved in establishing firms, to increase information on innovations, enterprise, regionalisation of research, development and innovations, to develop cooperation between public administration and regional research organisations and universities.
- Infrastructure / cooperation – to facilitate cooperation between enterprises and research institutions, to create infrastructure for enterprise and development of firms, to create supportive programmes for spin-offs, to encourage international cooperation.
- Human resources development – to extend the further education of employees in small and medium-sized enterprises, research and development and in high-tech sectors, to support further professional education, labour force mobility and mobility of research and development workers, to support the use of professional fellowships.

## **Partnership principle**

Respecting the partnership principle in accomplishing the objectives of the operational programme is set down by Article 11 of the General Regulation on the SF and the CF. On the basis of this principle the Managing Authority of the operational programme – when it is desirable and in accordance with existing national rules and regulations - establishes a partnership with regional, local, municipal and other relevant public administration bodies and economic and social partners. Respecting the partnership principle includes preparing, realisation, monitoring and evaluating the operational programme.

For the initial stage of the preparation of the operational programme an internal team for programming was established within the MIT. It determined the time schedule of the preparations, defined the persons responsible for preparing individual parts of the Operational Programme, and on a continuous basis it was informed on the progress of preparations of the NDP. When concrete formulation of the Operational Programme began, the team was expanded, in order to ensure that the drafting of the document is of a high standard and that the partnership principle is respected, to include representatives of the Ministry for Regional Development and representatives of the social and economic partners (the Czech Chamber of Commerce, the Czech Association of Industry and Transport, the Confederation of Associations of Employers and Enterprises, the Czech Chamber of Union Organisations, the Czech Food Manufacturers' Chamber, the Association of Small and Medium-sized Enterprises and Sole Traders, the Association of Towns and Municipalities of the Czech Republic, the Association of Regions, the Government Council for Non-Governmental Non-

Profit Organisations, the Council for the Cooperation of the Czech Academy of Sciences with the Business and Application Sphere, the Foundation for the Development of Civil Society) .

In compliance with the partnership principle, a number of discussions on the contents of the OPEI was organised with the representatives of the above-mentioned economic and social partners, who expressed primarily their opinions of the contents of the activities to be supported by the proposed OPEI. The first such event on the realisation of current OPIE and on new programming period took place on 13 October 2005 in the Ball room of Prague castle. This event was oriented to the realisation of the OPIE for the years 2004-2006 and to informing the public about the first draft of the new operational programme of the MIT for the programming period 2007-2003.

A further event took place on 24 November 2005 at the MIT when the representatives of the entrepreneurs and the regions discussed the contents and orientation of the new operational programme.

Within the Business Environment Development Council a meeting was held on 21 February 2006 between the MIT, CzechInvest and economic and social partners. Its purpose was to present and discuss the aims and content of individual programmes of the OPEI.

Further meeting on the proposed OPEI with the representatives of economic and social partners and representatives of the regions was held on 27 February 2006.

In the year 2006 the MIT organised two conferences on the new programming period of the EU Structural Funds and on the new Operational Programme Enterprise and Innovation.. The first was held on 27 April 2006 in the Senate of the Parliament of the Czech Republic. Its main purpose was to introduce the orientation and the contents of the aid, its links with the strategic programming documents of the MIT and with the proposed OPEI support programmes to entrepreneurs, representatives of consulting firms, universities, innovation centres and to social partners. The other conference, held on 3 October 2006 was dedicated to potential beneficiaries i.e. to entrepreneurial subjects, innovation and consulting centres and also to the representatives of the universities and to the representatives of the associations. Its participants were able to compare the orientation of the Operational Programme Enterprise and Innovation with the experience of new as well as older member states of the EU regarding the realisation of similarly oriented operational programmes.

The central state administration authorities, regional authorities, economic and social partners and other relevant entities also expressed comments on the draft of the OPEI in two interdepartmental comment procedures held in May and October 2006, i.e. ahead of the first and final submission of the Operational Programmes to the Czech Government. The Government took due note of the first draft of the Operational Programme Enterprise and Innovation under Resolution No 821 of 28 June 2006, and approved the Operational Programme under Resolution No 1302 of 15 November 2006. In March 2007, the government-approved version of the Operational Programme Enterprise and Innovation was officially submitted to the European Commission via the Ministry of Regional Development in accordance with Article 32(3) of the General Regulation for formal negotiation.

All comments made in the above-mentioned actions and comment procedures were duly handled by the Ministry of Industry and Trade and discussed with the parties making the comments. The comments that were subsequently incorporated into the OPEI touched on areas such as the number (increase) and focus of the priority axes and distribution of allocations for the individual priority axes, the results of the implementation of the Operational Programme Industry and Enterprise 2004 – 2006 and the way they were reflected in the new Operational Programme for the 2007 – 2013 period, beneficiaries, the support of large undertakings, aid instruments, links and the elimination of overlaps in the proposed OPEI interventions with other Operational Programmes financed from the SF and CF (especially the OP E, OP R&DI, OP EC, OPHRE, and ROPs) and with the Ministry of Agriculture programme financed from the EAFRD, indicators, the regional perspective of the Operational Programme, the composition of the OPEI Monitoring Committee, and evaluation committees. The comments raised by the Czech Chamber of Commerce, the Confederation of Industry and Transport, the Association of the Textile, Clothing and Leather Industry, the Association of Small and Medium-Sized Enterprises and other professional associations were particularly inspiring.

The partnership principle will be observed also during the process of approving the projects within the OPEI 2007-2013. The participation of economic and social partners is taken into account also as far as the performance of evaluation committees is concerned. Representatives of the economic and social partners also participate as members of the Monitoring Committee of the OPEI, which was constituted before the Operational Programme was approved.

The OPEI Monitoring Committee was established in February 2007 by a measure of the Minister of Industry and Trade, on Compliance with Regulation (EC) No. 1083/2006, Laying Down General Provisions on the Structural Funds and the Cohesion Fund. The chairman of the Monitoring Committee, as well as the deputy chairman and members, are appointed by the Minister of Industry and Trade. In their appointment, the partnership principle and the principle of equal opportunities of men and women are applied.

Members of the OPEI MC with voting rights, besides the representatives of the OPEI MA and expert services of the Ministry of Industry and Trade, comprise representatives of the National Cohesion Policy Framework (the Ministry for Regional Development as the coordinating and methodological body responsible for the management of the policy on economic and social cohesion in the Czech Republic in the 2007 – 2013 period), the Paying and Certifying Authority (Ministry of Finance), representatives of the managing authorities of sectoral and regional operational programmes linked to the OPEI, i.e. the MA of the Operational Programme Human Resources and Employment (Ministry of Labour and Social Affairs), the MA of the Operational Programme Education for Competitiveness and the MA of the Operational Programme Research and Development for Innovation (Ministry of Education, Youth and Sport), the MA of the Operational Programme Environment (Ministry of the Environment), the MA of the EAFRD (Ministry of Agriculture) and representatives of the Regional Councils of NUTS II cohesion regions as the Managing Authorities of Regional Operational Programmes. Bearing in mind the OPEI focus on R&D and innovation, other OPEI MC members are representatives of scientific institutions (the Research and Development Council, the Universities Council) and representatives of professional associations, trade unions and other relevant social and economic partners (the Association of Industry and Transport, the Bohemian-Moravian Confederation of Trade Unions, the

Economic Chamber, the Association of Nongovernmental Non-profit Organizations, the Association of Women Entrepreneurs and Managers, the Union of Towns and Municipalities, the Federation of the Food and Drink Industries, and the Confederation of Employer and Entrepreneur Associations).

# 1. SOCIO-ECONOMIC ANALYSIS AND DESCRIPTION OF SECTOR OF INDUSTRY AND SERVICES

## 1.1 Analysis of economic development of the Czech Republic

### 1.1.1 ECONOMIC GROWTH

Characteristic for the period 2000 – 2005 is the fact that the Czech economy has overcome the stagnation of the 2<sup>nd</sup> half of the nineties. Average GDP growth increased to 3.65 % and GDP per inhabitant in purchasing power parity, which in the year 2000 amounted to roughly 64 % increased to 70 % in 2004 and to 73 % in 2005 in comparison with the EU-25.

In 2005 GDP growth in the Czech Republic reached 6 % which represented the fastest growth rate of the past ten years. Retaining similar growth dynamics in next years would bring the Czech Republic even closer to the economic level of the European Union.

**Table 1: Key economic indicators of the Czech Republic in the year 2005**

Economic indicator		2005
Gross domestic product	%, y/y, real terms	6.0
Index of industrial production *)	%, y/y, real terms	5.7
Inflation rate	%, y/y monthly average	1.9
Unemployment rate	%, end of period	8.9
Labour productivity	GDP per employee, y/y, %	5.1
State budget balance**)	CZK bn	-56.3
Exports of goods	%, y/y, real terms	8.9
Imports of goods	%, y/y, real terms	4.9
Trade balance	CZK bn	40.4
Direct foreign investments ***)	USD bn	11.0

Source: CSO, Czech National Bank, MoLSA

\*) based on year 2000, 6,7 % according to new methodology

\*\*) 1.9 % GDP

\*\*\*) CZK 263.2 bn

### 1.1.2 GROWTH FACTORS – SUPPLY AND DEMAND

The main source of the Czech Republic's GDP growth in 2005 was foreign trade. Together with the labour productivity growth, positive structural changes and technical developments reinforced competitiveness and more distinct enforcement of qualitative growth factors. Of these can be mentioned an increasing influence of foreign controlled firms in the Czech economy as consequence of the significant inflow of foreign capital. This fact is related to another positive factor – a notable increase of the growth of investments (in the years 2000 – 2004) the average yearly increase of gross fixed capital exceeded 5 %). The influence of foreign firms and investment growth is linked with technical progress and with structural changes in the Czech economy which supported export oriented sectors and are reflected in



high increase of exports of goods and services (to 12 % a year on average). Positive changes occurred also in the institutional environment due to implementation of the *acquis communautaire* before and after accession.

The consequences of the growth of the labour productivity and overall factors productivity (labour and capital) in the years 2000 – 2004 are reflected positively in the process of convergence to the EU average level. Labour productivity - measured by GDP per employee in purchasing power parity – increased from 60 % in 2000 to 64 % in 2004 of the EU–25 average.

The changes realised on the supply side of the economy are reflected also on the demand side. An outstanding feature of the Czech economy in the analysed long period (1996 – 2004) was that domestic demand (final consumption and gross capital formation) grew faster than domestic supply while the trade balance did not worsen.

A long term positive factor was the development of the terms of foreign trade which provided for a faster growth of the GDP usage than the GDP growth without worsening the macroeconomic balance. Favourable development of foreign trade particularly in the context of rapidly growing oil prices and weak foreign demand in 2004 and 2005 contributed significantly to the GDP growth and thus became an important driver of the GDP on the demand side.

### **1.1.3 MACROECONOMIC BALANCE**

The balance on the market of goods and services plays a key role in the assessment of macroeconomic stability.

The negative trade balance in goods and services, which was relatively high in the years 1995 - 1997, dropped in the following seven years to -1.8 % of GDP on average. In the year 2004 it was only -0.3 % of GDP and in 2005 a positive balance was achieved. This is a highly positive development. It demonstrates that by retaining the growth rate of domestic demand close to the potential product growth, the Czech Republic is not in danger of instability that would require an policy interventions that might have negative impacts on economic growth. However, remaining risk factors are rapid growth of oil prices and other raw materials and the weakening economic activity of key business partners (in particular Germany).

Less favourable is the relation between national savings and domestic investments. Long-term development records document that both the investment rate and the savings rate declined and after the fluctuations in the years 1995 – 1999 the difference between the two stabilised at more than 5 % of GDP.

Macroeconomic stability also contributed to a positive development of inflation and in the long run low inflation rate (in 2005 the average inflation was 1.9 %) was among the stabilising factors of the Czech economy. Current inflation rate ranks the Czech Republic in a leading position in comparison with the countries of Central Europe. The key impacts of a low inflation rate are the strengthening exchange rate of the Czech crown that lowers the prices of imported goods - and thus affects also the prices of domestic manufacturers - and low prices of food and moderate growth of wages.

Among the factors that in the short term could partially affect the inflation rate are the increase of oil prices on world market, increase of petrol prices and regulated prices of gas, increase of electricity prices and increase of regulated rent. In the medium-term the price

development will be affected by the difference of prices between the Czech Republic and the EU which is higher than the difference in the GDP per inhabitant. Relative price level of total GDP of the Czech Republic is roughly a half of the level of the EU (in the year 2004 it amounted to 54 % of the average price level of EU-25) and it does not correspond with the economic level.

#### **1.1.4 REGIONAL DIFFERENCES IN THE CZECH ECONOMY**

Characteristic features of the regional differentiation of macroeconomic indicators of the Czech Republic are relatively low differences between individual regions in terms of their economic level – measured by the GDP per inhabitant – and a relatively high differentiation of basic indicators of the labour market. In comparison with other countries the Czech Republic still belongs to the territories with a relatively level economy. The GDP development trends document that the economic level differentiation has not been affected by the transformation processes of the last ten years to the extent that it would represent a serious social problem. The City of Prague retains its distinct predominance and the economy of the region of Central Bohemia (Stredocesky kraj) keeps increasing its weight moderately.

The main reasons of existing regional differences result from inherited structure of the economic base as a consequences of excess concentration of sundown production capacities. Current non-uniform development of infrastructure which affects the level of competitiveness of regional economies contributes to the differences.

The analyses indicate that there is no apparent correlation between the regional data regarding the GDP per inhabitant and the volume of foreign investments and other potential factors of economic development: investments into manufacturing industry, strategic services and technological centres and with expenditures on research and development. Apparent is the domination of the metropolitan area of Prague and its neighbourhood and of the region of Central Bohemia with the total of more than 50 % of the financial effect of the above mentioned factors. In terms of research and development the two regions have 60 % of the capacities of university character and 60 % of means from public sources. In individual regions the R&D infrastructure is concentrated mainly in administration centres.

In the future, more attention needs to be paid to preparing appropriate and economically affordable business sites and commercial real estate, and to a higher use of the potential of unused brownfield sites and buildings (i.e., real property and buildings that are not currently used sufficiently in an efficient manner, are neglected, dilapidating, in very poor technical condition, and represent a burden and a risk for the inhabitants as well as for the environment, due to the contamination of soil, underground water, etc.; buildings which can be newly used for business, provided that they are revitalised).

In the first stage of the search study, nearly three thousand brownfields were identified in the Czech Republic. Following an assessment of the next stage of the study, certain sites (originally included in the overall number of brownfields in the Czech Republic) were found not to comply with the definition of brownfields as set out by the search study, and the total number of brownfields in the Czech Republic identified for potential regeneration was reduced to 2,264 (with a total area of 10,126 ha). 37% of them are industrial brownfields; what were originally military sites and agricultural settlements, transformed into industrial sites, play an important role in terms of potential use. The aim of the MIT is to regenerate, between 2007 and 2013, using the OPEI, approximately 1,000 ha of brownfields, in order to benefit the development of the processing industry on those sites. Although up to 70% of



those brownfields are privately owned, the OPEI funds should be used primarily for brownfields owned by towns and municipalities. The reason for the need to provide support to business entities for brownfields regeneration (including support from EU Structural Funds) are the significantly higher costs compared to greenfields type projects (i.e., new projects, built from the ground, up in “green meadows”), and the significantly longer and more complex preparation and implementation of those projects.

### 1.1.5 CZECH ECONOMY IN THE EU CONTEXT

For the examination of the support from structural funds in the Czech Republic, the elaborator of the OPEI came out from the evaluation of the economic development for a longer time period, which is divided into more stages.

In the years 1996 – 2004 the average yearly growth of GDP in the Czech Republic was only 2.1 %. The growth rate was approximately the same as the average GDP growth rate of the countries of the former EU-15 as a whole. The comparison of the economic level of the Czech Republic measured by the GDP in purchasing power parity per inhabitant with the average of the then EU-15 hardly changed during this period. However, we need to differentiate between two different periods within the above time frame: the period 1996 – 1999 was characterised by very slow economic growth (GDP grew by 0.9 % a year on average) while the period 2000 – 2004 was characterised by considerable acceleration of the GDP growth (to the average of 3.1 %).

In the next two years 2005 and 2006 the positive trend of the preceding five years continued when the Czech Republic’s GDP grew by 6 % or 6,1 % respectively. One of the positive stimuli of the GDP growth in 2005 was the Czech Republic’s accession to the EU. It upgraded the institutional and legislative environment in the Czech Republic and extended the possibilities of free movement of goods, services and finance.

The speed of convergence of the Czech economy increased only in the last three years when its growth was significantly faster than the EU-25 average. In 2005 the growth in the Eurozone was only 1.3 % and when it lost its dynamics before the end of the year it fell behind the year 2004 (growth 2.1 %). In spite of that the EU countries became the main market for domestic production and deserved the credit that the trade balance of the Czech Republic ended with surplus.

**Table 2: Yearly real GDP growth (in %)**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>EU-25</b>	1.8	2.7	3.0	3.0	3.9	1.9	1.2	1.2	2.4	1.6	2.1
<b>Czech Republic</b>	4.2	-0.7	-1.1	1.2	3.9	2.6	1.5	3.2	4.7	6.0	6.1

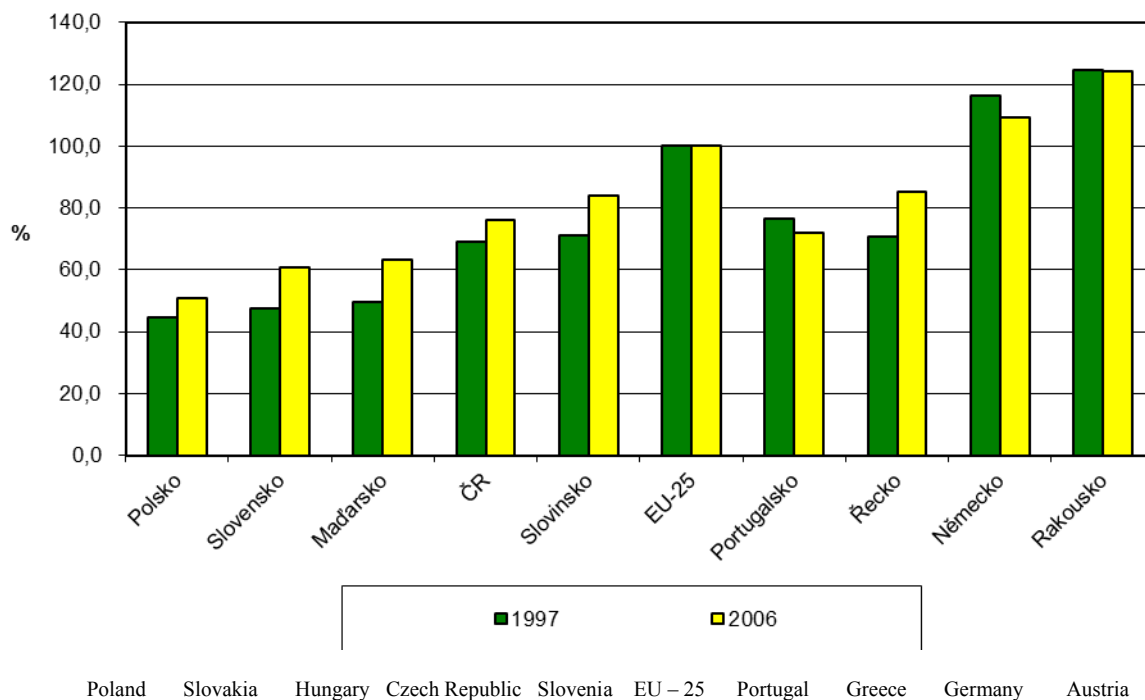
Source: Eurostat

**Table 3: GDP per inhabitant in purchasing power parity (EU-25=100)**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>EU-25</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Czech Republic</b>	69.2	66.8	65.9	64.7	65.8	67.7	70.7	72.1	73.6	76.1

Source: Eurostat

**Graf 1: Gross domestic product per inhabitant**  
 (in % PPP, average EU-25=100)



Source: Eurostat, graph MIT

**Table 4: Labour productivity**  
 (GDP in purchasing power parity per employee, EU-25=100)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>EU-25</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>ČR</b>	57.5	56.0	56.0	58.5	58.5	59.6	60.0	62.1	64.4	68.9	70.7

Source: Eurostat

According to Eurostat the labour productivity of the Czech Republic (measured by the GDP per employee in purchasing power parity) increased against EU-25 average from 58.5 % in the year 2000 to nearly 69 % in the year 2005. However, the labour productivity in the Czech Republic (68.9 % in 2005) is lower than the GDP per inhabitant (73.3 % in 2005). This fact results from higher unemployment rate in the Czech Republic in comparison with the EU-25 average. But in the long run the unemployment rate in the Czech Republic is declining and is getting close to the EU average.

The level of labour productivity achieved results partly from the specifics of the transformation process of the Czech Republic which was affected by the efforts to maintain inherited production capacities even in the sectors with generally lower competitive potential or without sufficient capital strength. Comparative analyses document further that falling productivity is usually more distinct in complex production than in the sectors of products originated in more simple production such as textiles, clothing and food where the share of simple production has been successfully reduced.

The growth of labour productivity in the Czech industry is noticeable particularly in the firms with foreign capital participation. Currently the level of labour productivity of these firms measured by added value (according to statistical data from the firms with 100 employees and over) exceeds the all industry average by more than 20 % and in the manufacturing industry these firms are better by 33 %. In the labour productivity the firms with foreign participation will play a decisive role in the future due to their capital strength, production flexibility, innovative activities and their access to foreign markets. In addition more favourable profitability parameters enable these firms to finance their development from profit reinvestment without the need of further capital from abroad.

According to international comparison of labour productivity by sectors or branches the group of the firms with foreign participation is significantly below the average of developed countries. It is a consequence of the strategy of foreign capital entering the Czech economy.

A basic precondition for real convergence (reaching the average level of GDP per inhabitant in the EU and reducing the gap in the income per inhabitant and thus bring closer the standard of living) is developing a GDP growth rate faster than the average growth in the EU. Whereas in the second half of the nineties the economic growth in the Czech Republic was the lowest of the group of new EU member countries from Central and Eastern Europe, after the year 2000 the Czech Republic went ahead of such countries like Poland, Slovakia and Slovenia in terms of getting closer to the level of the EU.

## **1.2 Development of the sector of industry and services and development of enterprise**

### **1.2.1 INDUSTRY AND SERVICES**

Considerable revitalisation of industrial production has taken place during the course of the last five years as the effects of foreign investments inflow and the influence of the firms with foreign participation has become more important. In the period 2000 – 2004 real growth of added value in the industry was doubled in comparison with the preceding period 1996 – 1999 (4.5 % a year in the years 2000 – 2004 against 2.4 % in the years 1996 – 1999). During the whole period 1996 – 2004 the unemployment rate in industry declined (by 1.5 % a year on average) and as a consequence the labour productivity growth was higher than the growth of industrial production.

Across industry the development of individual sectors varied. The highest growth was registered in the transport equipment sector followed by the electric and optical instruments sectors.

The share of industry in the gross domestic product stabilised near 33 %. In comparison with some EU member countries in the Czech Republic the service sector still is not sufficiently developed. Basic intrasectoral changes have been accomplished in the manufacturing industry. In the long run apparently some of the sectors of light and heavy industry have used up their growth potential and this is reflected in the loss of their weight in the industry. Further structural changes were caused by the specifics of restructuring and privatisation processes in the Czech Republic and also by external competitive pressures that affected in particular the textile and food industry. In addition the latter is also facing the consequences of the price policy of supermarket chains. The position of complex of industrial enterprises related to manufacturing the means of transport, in the production of electrical and optical instruments, production of rubber and plastic products has strengthened. The structural

changes are in correlation with the sectoral structure of foreign investments and it can be expected that the derived differentiation in production dynamics will positively influence the potential of competitiveness of the industry.

In the last few years the Czech industry belongs to the main factors of positive development on the supply side of the economy. Industrial production has been growing for six years although in 2005 the growth slowed down to 5.7 % (according to new methodology to 6.7 %). In the period under consideration the structural changes in the manufacturing industry continued; they were related with further investors coming from abroad and with the start of new production capacities in the automotive industry. Also production capacities for components and spare parts related to automotive industry were developed and the traditional machinery sector was revitalised. At the same time the upgrading of productive technology was accompanied by labour productivity growth and competitiveness increase which enabled firms to cope with the strengthening of the Czech crown. The development of the manufacturing industry contributed significantly not only to the growth of the exports of goods but also helped upgrade the domestic supply chains thus reducing the demand for imports.

**Table 5: Sources of added value growth in the industry**

(total industry = sectors C+D+E, y/y, in %)

Indicator	2000	2001	2002	2003	2004	2005	Average
Gross added value <sup>1</sup>	9.7	-1.2	3.8	-1.1	8.9	15.1	5.7
No of employees <sup>2</sup>	-0.9	1.7	-1.2	-2.7	0.2	0.9	-0.4
Fixed capital (31.Dec) <sup>1</sup>	2.9	3.2	3.0	2.4	2.8	x <sup>4</sup>	2.9
Labour productivity <sup>3</sup>	10.8	-2.9	5.1	1.7	8.7	14.1	6.1

Source: CSO

Legend:

<sup>1</sup> Year-to-year growth rate

<sup>2</sup> Total employment prorated per full time employment

<sup>3</sup> Year-to-year growth rate of labour

<sup>4</sup> Data for year 2005 not yet available

From the perspective of the competitiveness, the Czech economy is apparently moving to strengthening the segments which take a strong position on the market. The process of sectoral restructuring was stimulated by both the different sectoral structure of foreign capital inflow and by unequal starting conditions of some sectors in the transformation process and subsequently in the investment sources. On one hand an apparent trend of separating the sectors with low competitiveness of the whole industry (leather processing, textile, clothing industry) can be seen and it shows that the trends identified from the analyses of developed countries has prevailed also in the Czech Republic. On the other hand the sectors with high level of technology and labour force qualifications (electro-technical industry, plastic products, and sectors related to the means of transport manufacturing) and with regard to current positive specific conditions also metal processing industry and coking and oil processing are performing well.

In connection with the support of industry and enterprise it is necessary to point out the insufficient capacities of the providers of business support services and services related to human resources quality. In the Czech Republic quality and supply of business support

services for entrepreneurs - for small and medium-sized enterprises – is low and too expensive for its main beneficiaries. These are the issues that should be addressed in relevant priorities of the operational programme.

The KPMG study “Analysis of Services for Industry,” elaborated for the Ministry of Industry and Trade in 2005, notes that although the tertiary service sector accounts for the greatest portion of GDP generation and employment in the Czech Republic, the country lags behind developed economies in terms of the overall performance of services for industry, and in the position of the service sector for industry<sup>1</sup> in the structure of economic sectors. This is influenced, above all, by the historically strong position of the industrial sector in the Czech Republic.

Depending on the overall growth of the Czech economy, significant potential can be expected to exist for increasing the significance of the service sector and – given the very strong position of Czech industry – for increased growth in the service sector for industry. The initiation of faster growth on the domestic market and on foreign markets can hardly be imagined without suitable and effective public support. Given the structure of business entities providing services for industry, and given their relative strength depending on the size of the entities, targeted support can be expected for small and medium-sized enterprises, which are among the key factors of economic growth in developed economies.

The service sector for industry as a whole lags significantly behind that of developed EU countries, both in term of productivity and performance. State support for the service sector for industry should focus on increasing the competitiveness of business entities, the potential of growth and productivity, and social cohesion in regions, while emphasising knowledge, innovation, and the optimisation of human capital. According to the above-mentioned analysis, among the priorities for services for industry is support for investment into areas with growth potential; support for innovation, the entrepreneurial spirit, and knowledge-based economic growth, base on the capacities for research and innovation; support for the development of human capital; support (especially for SMEs) in gaining access to services in research and technological development; and addressing regional disparities.

In order to support entrepreneurship in the field of services for industry, the analysis defines the following specific forms of support:

1. Advisory support in order to create and improve services for industry (introduction of internationally recognised standards for advisory services, including creating an adequate national and regional advisory basis).
2. Support for the setting up and development of alliances of companies, both in order to improve their performance on the domestic market and their application on foreign markets.
3. Support for applied, and above all industrial, research and development and its transfer into practice, including the availability of the latest research and development findings for companies (support for the cooperation of companies, universities, research institutions, support for the development of existing companies by supporting innovation).

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<sup>1</sup> “Business related services,, – are defined by Eurostat as business services (SCEA 70 – 74), distribution services (SCEA 50 – 52), network services (SCEA 40 – 41, 60 – 64), and financial services (SCEA 65 – 67).

4. Increasing the quality of human resources in business entities.
5. Improving business infrastructure (support for the use of ICT in business, electronic communication, support for logistical processes and their automation, support for standardisation processes in companies, etc.).

### **1.2.2 KEY DETERMINANTS OF COMPETITIVENESS OF THE CZECH INDUSTRY**

During the past few years the development of Czech industry has been positive both in terms of demand competitiveness (namely due to increased support of the industry in export) and in the price competitiveness (improvement of terms of trade) in spite of the fact that the strengthening of the Czech crown and relatively slow reduction of unit costs worked against stimulating demand factors.

With regard to expected relatively low growth of the EU economy in the next two years (approximately 2 %) further stimulation of demand factors in the Czech industry will be more difficult and the parameters of quality and technical level of the production are going to play a key role in retaining positions on foreign markets.

It is characteristic for a long term development of the export performance of the Czech industry that it is increasingly based on more significant growth of the export value expressed in the current prices than of the export expressed in the quantity units. According to the data from Eurostat the export value of manufacturing industry of the Czech Republic to the EU countries in the year 2002 compared with the year 1993 increased approximately six times while the export expressed in quantity units increased only by a factor of 2.4. Qualitative changes in the structure of the exports of the manufacturing industry are grounded on the changes of the products originated in more complex production and also on increasing unit prices of exported goods. Similar positive changes are noticeable in the data on the structure of foreign trade according to the degree of processing. Compared with the year 2000 the exports of high-tech products increased 2.3 times in the year 2004 and the imports increased 1.5 times.

In terms of the high-tech products the Czech Republic now ranks as number 13 in the EU-25 and shows one of the highest increases of this share in the last five years. However, it is behind Hungary by nearly 10 pp. The growth of this share in the Czech Republic was influenced mainly by export and import of computers and office machines and of electronics and telecommunication equipment.

Strengthening of the competitiveness of the Czech economy also narrowed the gap in the labour productivity per employee between the Czech Republic and the EU-25 average. Compared with the year 2000 when the labour productivity amounted to 58.5 % of the EU-25 average the ratio increased to 64.4 % in 2004 and 68.9 % in the year 2005.

When evaluating the significance of the factors that influence the level of the global indicator of labour productivity and of the conditions for bringing it closer to the level of developed economies it is necessary to consider in the first place the sectoral differences in the labour productivity and the weights of individual sectors because the development of productivity in the Czech economy is extraordinarily differentiated. But the conclusive evidence is weakened by temporary advantage of lower personnel costs in the Czech Republic. The reasons for the delay of the labour productivity growth in the Czech Republic come partly from the specifics and the process of transformation of the Czech economy (see also paragraph 1.1.5).



### 1.2.3 DEVELOPMENT AND STABILISATION POTENTIAL OF SMALL AND MEDIUM-SIZED ENTERPRISES AND SERVICES AND THE IMPACT OF LARGE COMPANIES ON THEIR DEVELOPMENT

**Table 6: Small and medium-sized enterprises in industry sorted by size category**  
 (by number of employees)

Size category	Year	Number of entrepreneurial subjects	Number of persons employed (in ,000 persons)	Book added value (in CZK bn)
<b>Total</b>	2000	149 240	787	208.8
	2001	159 829	825	215.1
	2002	159 608	812	275.9
	2003	153 288	815	284.2
	2004	151 798	803	315.5
<b>- 19</b>	2000	141 163	280	50.8
	2001	151 747	309	39.7
	2002	151 338	295	81.3
	2003	145 162	308	78.3
	2004	143 534	282	83.9
<b>20 – 99</b>	2000	6 639	284	80.1
	2001	6 607	286	89.0
	2002	6 748	282	98.5
	2003	6 619	276	105.0
	2004	6 710	282	117.7
<b>100 – 249</b>	2000	1 438	224	77.9
	2001	1 475	230	86.4
	2002	1 522	235	96.2
	2003	1 507	231	101.0
	2004	1 554	239	114.0

Source: CSO – The 2006 Statistical Yearbook (figures for 2004 are preliminary)

In the last 10 years, the position of small and medium-sized enterprises (SMEs<sup>2</sup>) in the Czech economy is important due to their roughly 60 percent share in the total employment and to their 52 percent share in the total outputs or in the added value created in the non-financial sphere of the Czech economy. Also in the industry sector small and medium-sized enterprises

<sup>2</sup> An enterprise is regarded as small and medium-sized enterprise when it meets the criteria specified in Annex I to the Commission (EC) Regulation No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation).

take an important position representing nearly one third of the weight in terms added value produced.

**Table 7: Share of SMEs in Selected Macroeconomic Indicators**  
(in %)

Indicator	Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of companies	99.77	99.78	99.80	99.71	99.81	99.85	99.81	99.84	99.85	99.85
Number of employees	59.82	57.91	58.84	59.42	59.73	61.34	61.63	61.48	61.63	61.38
Output	52.91	53.03	53.63	51.53	51.44	52.46	52.79	52.29	52.42	51.45
Investments	<sup>1)</sup>	41.53	41.06	40.48	37.81	44.52	49.88	51.43	52.57	54.42
Exports	36.40	36.25	36.54	36.15	35.74	34.16	34.0	34.3	40.7	43.5
Imports	48.00	48.84	50.74	49.43	47.12	50.33	49.8	52.5	54.7	54.6
GDP	<sup>1)</sup>	<sup>1)</sup>	31.54	31.17	31.63	34.59	34.86	34.69	34.60	34.36

Source: CSO, MIT <sup>1)</sup> figures not available

In terms of the labour productivity (derived from revenues) the SMEs reach about two thirds of the labour productivity in the manufacturing industry. The size category (according to number of employees) in the Czech industry is generally an important factor of the labour productivity.

Small and medium-sized enterprises represent a stabilising force in terms of employment where they contribute to slightly over 60 % of total employment with moderate trend of growth. These enterprises – undoubtedly due also to the support they have been provided – have been so far able to keep up with the development of the effectiveness and output of large firms. This is documented by retaining their share in the GDP and exports (around 35 %), output and produced added value (over 50 %). However, their effectiveness measured by these indicators is lower than the effectiveness of larger firms which results among other reasons from their higher share in the sectors where it is more difficult to reach above-average efficiency.

**Table 8: Share in revenues, number of employees and labour productivity according to size category** (by number of employees)

Year 2003	Share in % in		Labour productivity from revenues (industry = 100)
	total revenues	number of employees	
20-49	6.7	10.9	62
50-99	7.6	11.6	66



100-249	14.5	19.1	76
250-499	15.1	16.0	94
500-999	17.1	14.9	115
1000 and more	39.0	27.5	142
Total	100.0	100.0	

Year 2004	Share in % in		Labour productivity from revenues
	total revenues	number of employees	total revenues
20-49	6.3	10.5	60
50-99	7.4	11.8	64
100-249	14.3	19.5	73
250-499	16.0	16.3	98
500-999	16.3	16.0	108
1000 and more	39.7	26.7	148
Total	100.0	100.0	

Year 2005	Share in % in		Labour productivity from revenues
	total revenues	number of employees	total revenues
20-49	6.4	10.8	60
50-99	7.3	11.8	62
100-249	13.9	19.5	71
250-499	15.7	16.3	96
500-999	18.2	16.2	113
1000 and more	38.4	25.5	151
Total	100.0	100.0	

Source: CSO

In terms of their share in the employment as well as of added value small and medium-sized enterprises in the sectors of services and building industry prevail with the share of 80 % and

more. In the industry and transport small and medium-sized enterprises represent approximately one third share in the employment and added value production.

Therefore the importance of the mentioned sector for the Czech Republic is relatively high. However, the measures taken in order to stabilise the sector by way of ensuring a smooth business life cycle (start-up, growth, closure) and the measures oriented to further increase of its contribution to overall economic development are at the same time the measures oriented to reinforcing the social cohesion and to balancing regional disparities resulting from preceding economic development.

The reasons for the support of SMEs in the economy of the Czech Republic are not purely economic. Also the aspect of the development of the entrepreneurial environment should be taken into account:

- possibility of responding to market opportunities (niche markets) that are not interesting for large firms,
- possibilities of easier coordination of public support to the sectors/regions affected by economic depression or economically weak regions,
- possibility of incorporating SMEs into the strategy of economic clusters (improvement of the cooperation with other potential partners on the level of the regions and from the sphere of university and research institutions).

The analyses of existing results of the realisation of the instruments of SMEs' support show that it is necessary to focus on cultivating an entrepreneurial environment and on attenuation of some systemic disadvantages of small firms in comparison with large ones. First of all their low capital strength limits their ability to finance large projects, the weak position of smaller enterprises in the competition for orders, more difficult access to the investments in modern technology and licenses, the challenge of intellectual property protection (they lag behind in terms of the number of patent applications and patents granted), inequality in the possibilities of recruiting workers with top qualifications. Should barriers persist then small and medium-sized enterprises will struggle to improve their competitiveness and that of the economy and nor will they benefit from accumulated qualifications capital in human resources.

The conclusions from monitoring supporting activities realised in the Czech Republic in the period 2004-2006 show the following:

- the motivation of the management of SMEs to increase the participation in professional education and ensure conditions for the standardisation and comparability of the certificates and diplomas of further education is low,
- cost effective consulting services needed for the use of the systems of enterprise support are missing,
- it turns out that the problem of the firms doing business in the Czech Republic is not their low profitability but difficult starting conditions linked with starting a business. The share of business support services of the GDP is about 8 % and it stagnates in terms of both added value and employment. With regard to a strong position of the industry this share is far too low,
- enduring low knowledge of foreign markets and business opportunities abroad with small and medium-sized enterprises as well as lack of trading and marketing skills including the capability to compile international "benchmarking" studies of competing firms etc.

In the context of the above statements it is necessary to mention the function of agencies for supporting enterprise, investments and export. These agencies were a part of the system of implementation of the Operational Programme Industry and Enterprise 2004-2006 and they play an important role not only in consulting for SMEs. In the 2007 – 2013 programming period of the Structural Funds, the pooling of their potential is envisaged within the agency CzechInvest for the active implementation of the new Operational Programme Enterprise and Innovation; the agency CzechTrade and the Czech Energy Agency contribute and will continue to contribute to the content of new interventions and to the formation of a broader portfolio of professional services for enterprises (especially SMEs).

The analyses comparing the Czech Republic with developed countries prove that in the enterprise support programmes there is a close relation between the activities focused on the support of small and medium-sized enterprises and the activities supporting the development of the sector of business support services. The following areas are of key importance:

- research and technology development – support for the development of networks of enterprises and clusters by providing business and technological services to small and medium-sized enterprises,
- information society - support of on-line public services and services provided to small and medium-sized enterprises in the use of ICT,
- innovations in SMEs – development of cooperation between universities, research and enterprises through supporting networks of enterprises and clusters and through support of SMEs access to business support services,
- regional development – support of development and accessibility of transport and telecommunication services outside key municipal centres.

In comparison with developed countries of the European Union, the share of services in the production of total added value and in the total employment is significantly lower in the Czech Republic.

The services with high revenues i.e. business services (SCEA 51 and 52), tax advisory; market research and public opinion polls; consulting in enterprise and management etc. belong to the most important services in terms of their share in the GDP. These groups of services represent more than fifty percent share both in the employment of the sector of services and in the contribution of services to GDP.

Further development of the service sector depends on the overall growth of the Czech economy and it can be assumed that there is substantial potential for increasing the importance of this sector and, due to a very strong position of the Czech industry also a growth in services can be presumed to produce positive results in terms of new jobs creation and reducing unemployment.

In spite of the fact that in the programming period 2007 – 2013 the decisive part of public support will remain in the industry and services intended for the category of small and medium-sized enterprises, in order to comply with Art. 3(2) of the European Parliament and Council Regulation (EC) No. 1080/2006 on the European Regional Development Fund, the Operational Programme Enterprise and Innovation also pays attention to the significant potential of large firms (i.e. the firms that do not meet the definition of SME) that can play an important role in the share in the growth of the competitiveness of the national economy. The reasons for supporting such larger enterprises are as follows; according to them these subjects:

- are older, have stronger resources and thus have higher potential to increase competitiveness,
- have the potential to produce innovative production prototypes and technologies to be able to succeed in tough competition on international markets,
- are able to protect their IPR and know-how and prepare their active licensing policy,
- are in most cases financially solid firms which represents one of the conditions of their ability of trouble-free co-financing their OPEI projects built on demanding objectives of competitiveness.

These companies that do not comply with the criteria for small and medium-sized enterprises are also one of the engines of innovation activities on the regional and supra-regional levels. With their constant demand for increasing standards of technical perfection and competitiveness from subcontracts and cooperation, they create a more effective competitive environment, stimulating the innovation of small and medium-sized companies – their subcontractors. Hence, support targeted at larger companies, focused primarily on a close connection between research and development and production, can in turn have a significant impact on the development of small and medium-sized enterprises.

Where this document mentions support for large enterprises (in particular see Chapter 3, Priority axes of the OPEI), this support entails intervention not only in respect of firms with more than 250 employees, while significant assistance will be channelled into firms with a headcount of up to 1,250 employees, but also in respect of companies with up to 250 employees which do not satisfy the EU criteria for SMEs (notably the criterion of independence). Within the scope of subsidies for large firms, as a general principle the relocation of companies from other EU Member States will not be supported, nor will the expansion of transnational retail chains. In the case of the support provided to large firms, the Managing Authority of the OPEI will require from these beneficiaries assurance that the support provided will not be used in connection with investments that pertain to the relocation of production or services from another EU Member State.

For the OPEI as a whole, aid to small and medium-sized enterprises will account for at least 2/3 of the total allocation of the OPEI (calculated as the net ratio of allocation for SMEs to the total allocation of the OPEI, excluding Priority Axis 4 – Innovation and Priority Axis 7 – Technical Assistance), subject to the condition that at least 1/2 of the allocation for each particular intervention area (excluding Priority axes 4,7) will be spent on the support of SMEs. The support provided under this Operational Programme to small and medium-sized enterprises will be monitored and published in annual OPEI implementation reports on a regular basis.

#### **1.2.4 RESEARCH, DEVELOPMENT AND INNOVATIVE POTENTIAL IN THE ENTERPRISE SECTOR**

The National Innovation Policy specifies four main objectives for the years 2005-2010: reinforcement of R&D as source of innovation, creating conditions for functional cooperation of public and private sectors, securing human resources for innovative activities and increasing effectiveness of public administration in research, development and innovations.

In international comparisons of the innovation environment the Czech Republic ranks significantly behind the EU average. Slovenia and Estonia are ahead of the Czech Republic while Hungary and Slovakia are at approximately the same level.

In terms of expenditures on research and development and of added value the average values for the Czech manufacturing industry are relatively positive but heavily influenced by the value of this indicator for the automotive industry while the other sectors are far below the level of developed countries. Possible positive effect of higher technological level of the firms with foreign participation on the expenditures on research and development is reduced mainly by the fact that in a number of sectors only transfer of technology developed abroad was realised due to the effort to cover the research and development costs in the mother country. Underestimating this aspect in the system of investment incentives means that foreign capital inflow into the manufacturing industry of the Czech Republic did not produce as much local technology upgrading as might have been expected.

The main barriers to the development of innovation activities are both a lack of financial resources and a poor environment for delivery of risk capital. According to international comparisons, in the Czech Republic the risk finance market for innovating firms has not developed at all. The reason is a poor legislative environment that does not incentive financial institutions delivery of risk capital and at the same time insufficient sources of finance for large research projects. The share of expenses on risk capital in the initial phase of the development of the firm is roughly one third in comparison with developed countries. At the same time the main volume of the risk capital is routed to communication technologies. Another impediment is insufficient quality of networks for fast data transmission and high costs of their use.

In the EU countries, total gross expenditures on research and development amount to 2 % of the GDP on average. In the Czech Republic it is less by about one third (1.35 % in the year 2005). Significantly above the average are Sweden (4.3 % of the GDP) and Finland (3.4 %). In the Czech Republic total expenditures on research and development keep growing slowly but the share of its use in the entrepreneurial sector remains almost unchanged.

**Table 9: Expenditures on research and development (in CZK bn)**

Indicator	2000	2002	2003	2004	2005
Total expenditures on R&D	26.5	29.6	32.2	35.1	42.2
of which; enterprise sector	13.6	15.9	16.6	18.5	22.8
Volume of financial resources used for R&D in enterprise sector	15.9	18.1	19.7	22.3	27.2
- of which; manufacturing industry	.	11.6	12.5	13.7	17.1

Source: CSO

Also in the area of human resources no substantial development has been registered. The reason is the unsatisfactory structure of the tertiary education graduates and so far rather sporadic initiatives by industrial firms regarding establishing contacts with universities and forming joint centres for research and training. Noticeably underestimated is the share of people employed in advanced technology sectors.

An important potential barrier to improving human resources in innovation activities development is also the structure of tertiary education graduates which does not correspond to the future needs of industry and is affected by lack of motivation and by an underestimation of the need for knowledge management in firms. It results in a relatively slow increase of employment in this sector.

**Table 10: Human resources in research and development (in thousands of persons)**

Indicator	2000	2003		2004		2005	
	Total	Total	Of which females	Total	Of which females	Total	Of which females
Human resources reserves in R&D	1 700	1 781	880	1 826	891	1 920	969
- employees in R&D sectors	1 388	1 437	745	1 473	766	1 555	811
- of them with tertiary education	423	487	217	509	227	542	239

Source: CSO

Entirely unsatisfactory is the level of participation by universities in research and development outputs resulting namely from missing incentives to orient research activities of the universities towards the enterprises' needs. Further it is necessary to create conditions for supporting the incorporation of Czech firms into international cooperative groupings to encourage the forming and development of small and medium-sized enterprises through the "business angels" networks, incubators, innovation centres and science and technology parks and participation in the R&D of domestic institutions in the ERA (European Research Area).

Currently existing network of technological parks does not provide services for technology transfer on the same level as in developed countries of the European Union. Important innovation potential in the enterprise sector of the Czech Republic will be realised through forming sectoral groups in the form of clusters. This represents a continuation of one of the priorities of the OPIE 2004 – 2006.

**Table 11: GDP per inhabitant and expenditures on R&D in cohesion regions NUTS II**

Cohesion region	GDP per inhabitant in PPS (2004)			Expenditures on R&D (2003)
	CZK, c.p.	Czech Republic=100	EU-25 = 100	Czech Republic=100
Praha	29 888	203	140	43.2
Stredni Cechy	13 968	95	65	8.8
Jihozapad	13 467	92	63	5.5
Severozapad	12 149	82	57	1.5
Severovychod	12 797	87	60	8.3
Jihovychod	13 462	92	63	20.2
Stredni Morava	11 820	80	55	5.6
Moravskoslezsko	11 587	79	54	6.9
<b>Czech Republic</b>	<b>14 719</b>	<b>100</b>	<b>69</b>	<b>100</b>

Source: CSO

The increased innovation of companies is significantly reflected in the patent activities of businesses in the Czech Republic. Compared to other European countries, they are far from

reaching the necessary quantitative indicators, as can be seen from the comparative tables below:

**Table 12: Invention Applications and Patents Granted to Czech Entities by the Industrial Property Office (IPO)**

	Invention applications			Patents granted		
	2004	2005	2006	2004	2005	2006
Universities	17	30	52	13	21	16
Research institutes	36	46	68	31	28	22
Large enterprises	51	44	37	20	25	28
Small and medium-sized enterprises	240	197	226	131	166	119
Natural persons	272	269	258	98	109	79
<b>TOTAL:</b>	<b>619</b>	<b>586</b>	<b>641</b>	<b>293</b>	<b>349</b>	<b>264</b>

Source: IPO

**Table 13: Invention Applications and Patents Granted by the EPO**

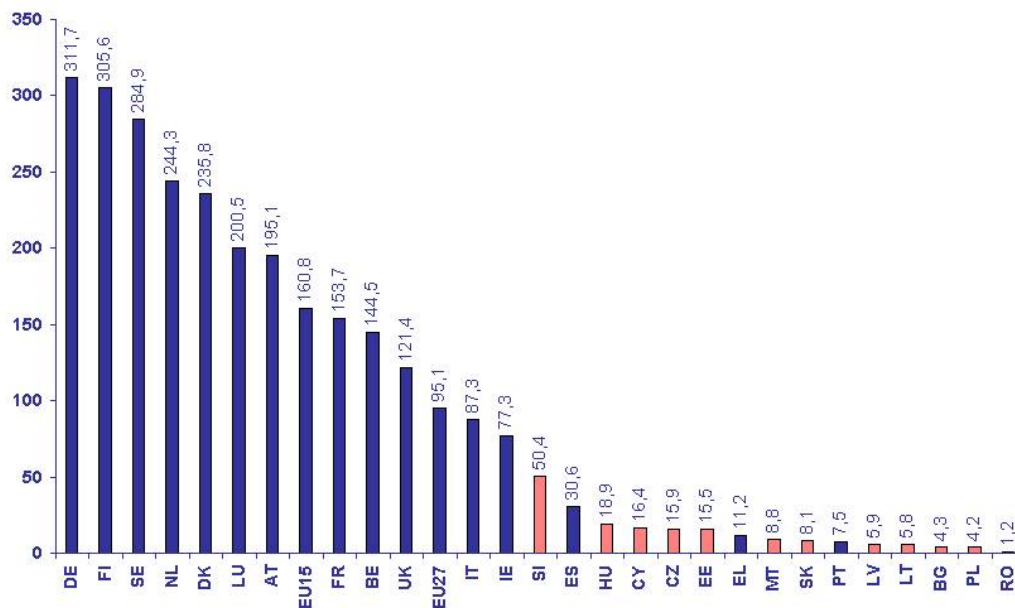
	Data for 2003		Data for 2004		Data for 2006	
	Number of applications	Granted patents	Number of applications	Granted patents	Number of applications	Granted patents
Switzerland	4 180	2 393	4 663	2 111	5 027	1 911
The Netherlands	6 459	1 731	6 974	1 695	7 799	1 519
Finland	1 480	692	1 608	858	1 514	757
Belgium	1 374	599	1 493	576	1 658	459
Austria	1 010	622	1 000	637	1 053	533
Denmark	867	500	984	483	1 174	431
Sweden	2 562	1 545	2 429	1 497	2 486	1 344
Hungary	58	62	94	38	81	32
Poland	40	12	93	14	111	15
<b>The Czech Republic</b>	<b>58</b>	<b>18</b>	<b>84</b>	<b>25</b>	<b>73</b>	<b>26</b>
Germany	22 701	13 429	23 044	13 621	23 789	12 499



France	7 431	4 805	8 079	4 366	8 034	3 740
United Kingdom	4 843	2 679	4 791	2 500	4 649	2 148

Source: IPO

**Graf 2: No. of Invention Applications at the EPO, per 1 mil inhabitants** (Source: EIS 2006)



The main barriers to the growth of the patent activities of Czech entities are (according to the study “Barriers to Competitiveness in the Czech Republic” elaborated by the Technological Centre of the Czech Academy of Sciences, for the Ministry for Regional Development):

1) High costs of patent protection

The high costs are generally the most frequently mentioned barrier to patent protection, and the barrier has been identified as serious in a survey of research organisations and innovation companies. The high costs only pertain to patent applications submitted abroad (especially their translations to the languages of the countries where the application is being submitted), not to applications in the Czech Republic.

A patent application submitted in the Czech Republic ensures priority abroad for one year. Afterwards, the invention no longer enjoys protection abroad, which is why an application must be submitted in each (selected) country within this period. Submitting an application only in the Czech Republic, without obtaining protection abroad, has counterproductive effects, as the patent application specifies information which enables the abuse of the invention, and it can lead to its patenting abroad by another entity.

2) Focus on short-term profits, and the lack of interest of some Czech managers in investing in the future of their company.

Most companies are focused on short-term profits. Intellectual property protection is less interesting from that point of view, as its results will only be evident in the mid- or long-term. This barrier may be related to frequent management changes in some companies.



3) Insufficiently mature and developed awareness of industrial rights among the general professional public and the employees of research institutes and universities.

This barrier is connected to the overall culture of industrial property protection. Recent research of the Czech Academy of Sciences (Ing. Roman Wagner, 2000) showed, among other things, that the awareness of science and research staff is inadequate, in terms of the possibilities and the actual conditions of industrial right protection for new technical solutions.

4) Publication of new technical solutions and their results prior to patent application

This barrier is the consequence of the lack of awareness of researchers (see the previous barrier) who publish the results of their work in a scientific publication, at a conference lecture, etc.

5) The low motivation of certain employees to patent new discoveries (so-called employee inventions)

The barrier is due to the poor experience of certain employees, whose efforts in terms of intellectual property protection are not adequately rewarded in a company.

6) Non-functional laws, the impossibility of enforcement, and often the poor enforcement of the property rights of inventors in practice, with all of the legal consequences arising therefrom, such as in bankruptcy proceedings.

7) Specific requirements of certain sectors for the protection of the know-how obtained, where patenting brings no advantage

The compulsory and obligatory part of the application contains a brief description of the invention, and in certain cases the attempt to keep a new solution secret from competitors prevails (this pertains, for example, to especially valued discoveries or findings in disciplines that develop quickly).

8) Lack of qualified patent experts

In connection with the increasing significance and difficulty of protecting industrial rights, and with the expected increase in patent activity of Czech entities, a lack of qualified experts on industrial rights can be expected. The Institute for Industrial Rights Protection does offer a two-year specialised course and has some two dozen graduates every year, but the question is whether this number is sufficient.

## 1.2.5 ENERGY INTENSIVENESS

In comparison with the EU average the energy intensiveness of the Czech economy and namely of the industry remains still high. This is why increasing energy effectiveness has become one of the fundamental objectives of the State Energy Policy of the Czech Republic.

Relatively fast improvement of energy intensiveness indicators is noticeable namely in the nineties when the improvement was influenced by a concurrence of two factors: increase of quality of the management of energy sources and then the sectoral restructuring which was accompanied by a partial slump of energy intensive sectors. Since 1990 the energy intensiveness measured in the units of primary energy sources per unit of GDP declined by 17 %. Thus an unfavourable distance of the Czech Republic from the EU average amounting to 80 % was reduced to estimated approximately 55 - 60 % in the year 2005. In the years 2000 to 2004 the decline of energy intensity slowed and in the future the realisation of savings

in energy consumption will be much more difficult due to their high cost and sophisticated technological requirements.

The reduction of energy intensiveness depends mainly on the support of new production technologies with more favourable parameters of energy and material demand in the sectors of industry, building industry and manufacturing industry, transformation and limiting losses in energy distribution which play a decisive role in overall energy consumption; the process of replacing ineffective energy sources has not been completed. Another direction of the state energy policy must be focused on programmes of support aimed at resolving environmental problems related to the use of renewable sources of energy.

The Czech Republic has an important potential for replacing fossil fuel sources with renewable and secondary sources of energy. So far this potential has not been sufficiently used although potential exists in the area of biomass, biogas, wind energy and secondary energetic materials.

**Table 14: Electric power generation from renewable energy sources**

Source	2003	2004
Water power station GWh	1 383	2 019
Solid biomass GWh	373	593
Wind power stations GWh	4	10
Biogas GWh	108	139

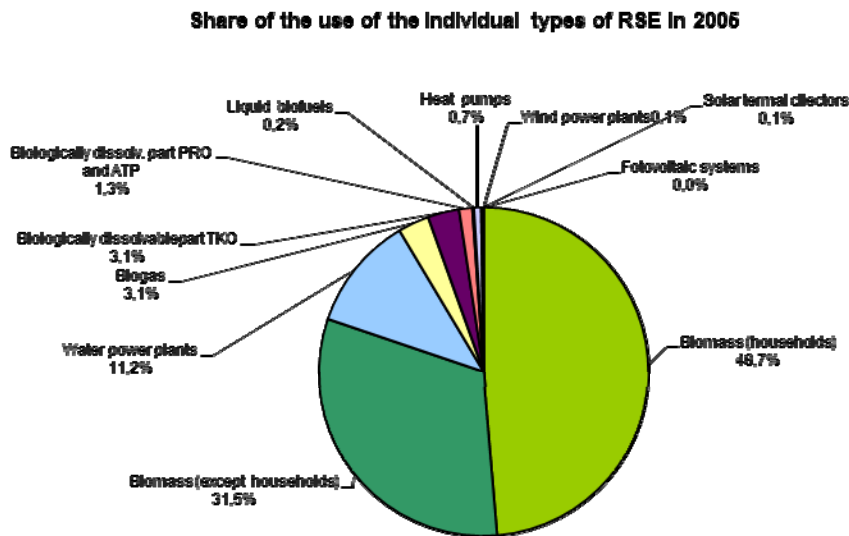
Source: MIT

The Czech Republic is interested in using renewable and secondary sources of energy, with the aim of replacing primary fossil sources of energy. There is a significant potential for biomass, biogas, and secondary energy materials.

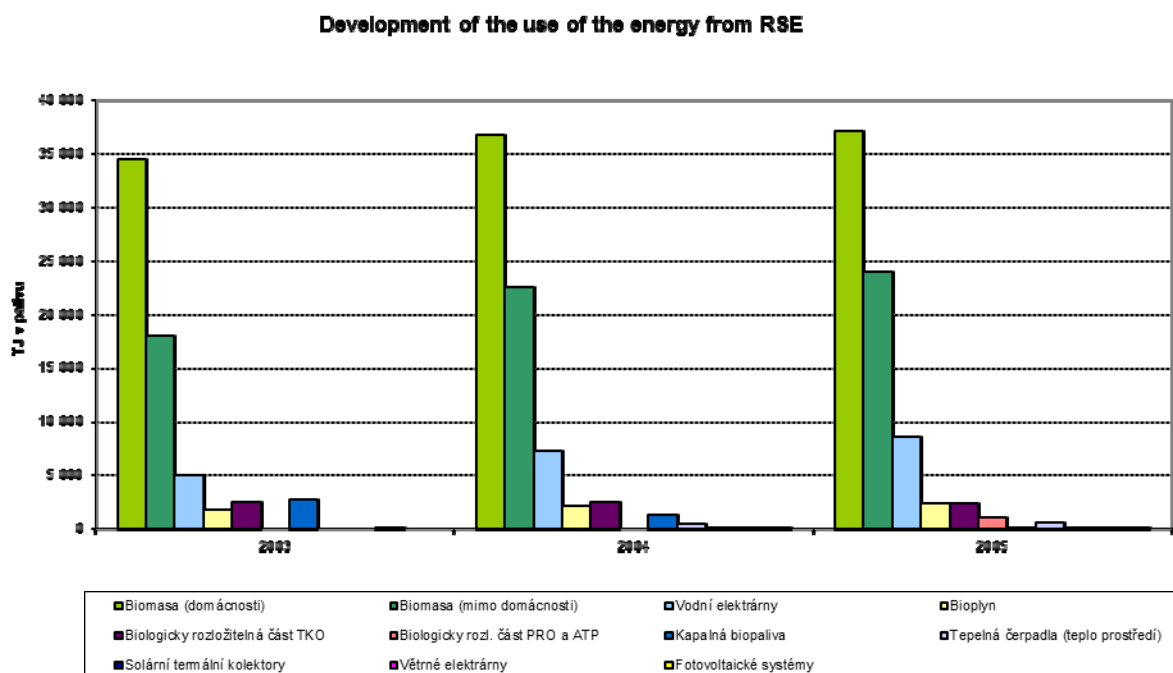
In compliance with the EU Regulations 2001/77/EC, the share of electric power generation from renewable energy sources on total gross electricity consumption should increase to 8 % in the Czech Republic by the year 2010. In the year 2005 the share of renewable sources of energy on primary consumption of energy sources should have reached 5 to 6 % according to the objectives of the State Energy Policy. In 2006, only 4.4% were achieved, which means that the current state in the Czech Republic does not meet the set objective.

The use of renewable sources of energy in the Czech Republic in 2003–2005 is shown by the graphs No. 3 to 5 below:

Graf 3.



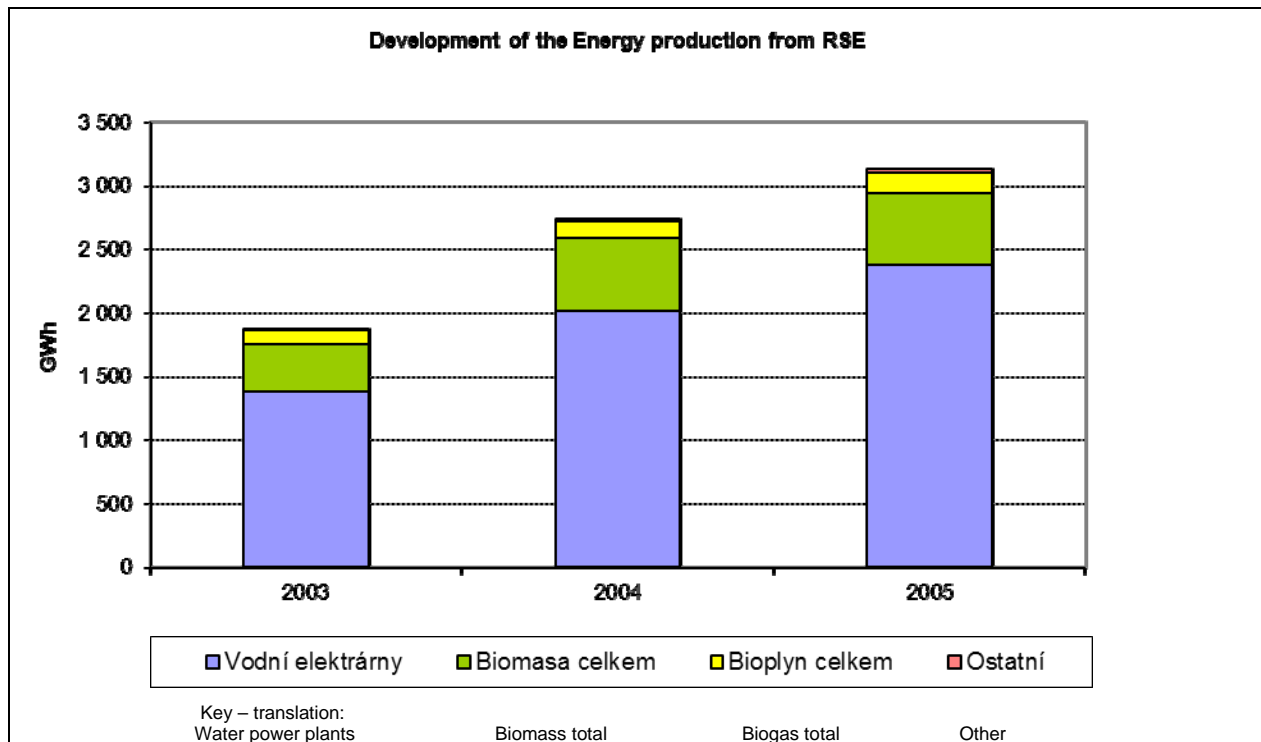
Graph 4:



Key – translation:

Biomass	Biomass (except households)	Water power plants	Biogas
Biologically dissolvable part TKO	Biologically dissolvable part PRO and ATP	Liquid bio-fuels	Heat pumps
Solar-thermal collectors	Wind power plants	Photovoltaic systems	

Graph 5:



### 1.2.6 CONTEXT OF THE DEVELOPMENT OF CZECH INDUSTRY IN TERMS OF EMPLOYMENT

In the Czech Republic the long-term employment rate declines by approximately 0.6 % a year – as different from the EU countries where the trend of employment development is positive. The employment rate decrease came to a halt only by distinct economic growth in the years 2004 and 2005 (in 2005 employment increased by 1.2 %) which was reflected by a reduction in unemployment. However, structural factors and compared to international trends, a relatively low creation of jobs in the tertiary sector still negatively influence employment growth.

Changes to the labour force caused by the transformation process have not affected Czech regions uniformly and have caused significant regional differences in labour market structures which still endure today. The change of sectoral and professional structures of work positions in individual regions deepened the structural disparities and the long term shortage of a qualified and professionally satisfactory work force for the enterprise sector exists in a number of locations. These problems are reinforced by the fact that existing regional disparities in the supply of jobs do not lead to interregional or professional mobility of the population. As concerns the structure of job offers, in a number of regions the majority are jobs for qualified workers for which there is not an appropriate supply.

In absolute terms (according to the data from a labour force research data by CSO) in 2004 employment in the Czech economy was lower by 30 thousand in comparison with the year 2000. About three quarters of this decrease was on account of the secondary sector, namely manufacturing. The services sector got stronger in total employment (from 56.2 % in the year

2000 to 57.8 % in the year 2004) but its development as far as the labour market is concerned does not have such absorption capacity in the Czech Republic as it does in developed countries. In the year 2005 the trend of employment decline reversed. In comparison with the year 2004 employment increased by 57.5 thousand persons.

A serious problem for the Czech Republic is also a low share of part time employment. Whereas in the EU the average of part time jobs amounts around 17 % (the highest is in Ireland and Finland), in the Czech Republic the long term average is 3.7 %. The number of registered entrepreneurs does not change significantly in the long run. According to a number of research studies in the Czech Republic workers prefer employment rather than taking the risk of becoming a successful entrepreneur and overcoming the barriers of entering the market for the first time. This is also one of the factors that impact the development of small and medium-sized enterprises and the relatively low effectiveness of existing instruments for enterprise support.

In business-related services, unlike other types of services (insurance, financial services, property letting, travel agencies, etc.), there is an uptake of workers released from the primary sector. In business-related services, the greatest employment and productivity is recorded in the field of so called 'other business activities'.

The rising labour productivity in certain areas of services (e.g. engineering, book-keeping and auditing services, business consulting, technical tests and analyses) is promising news for the further development of the service industry in general. In particular, 'other business services' is an area reporting potential for growth and thus the uptake of further workers.

Nevertheless, higher labour productivity here hinges on higher skills, continuous training and improvements in professional qualifications. The training of employees is a requirement not only for the enhancement of the services provided, but also for their incorporation into the field of innovation and research. In addition, the service industry can have a positive impact on the scope of part-time employment available, and in this respect can contribute to the job prospects of disadvantaged groups on the labour market.

The predominantly structural nature of unemployment in the Czech Republic is increasingly reflected in the growth of long term unemployment. The long term unemployment is a threat to the groups of disadvantaged persons on the labour market: females with children, recent graduates, persons over 50 years of age and people with low qualifications. According to the data from the CSO at the end of the year 2004 in a number of regions the number of long term (over 12 months) unemployed people reached over 50 % of the total number of unemployed persons. According to the MoLSA the number of long time (registered) unemployed persons in the Czech Republic amounts to more than 40 % of the total number of unemployed people.

The reasons need to be found in an increasing lack of job opportunities in the regions with high unemployment. Further characteristic feature is the difference in the situation of the regions where the labour market is positively affected by the existence of large firms and by the representation of the manufacturing sector with high export output. Also the data from the last year show that the segment of small and medium-sized enterprises played a relatively minor role in reducing the total and long time unemployment and it will be necessary to further develop the ways increasing the effectiveness of the mechanisms supporting employment in SMEs.

One of the reasons for rising unemployment (and the increase in the numbers of long-term unemployed in particular) is the inadequate knowledge and skills of employees. There are

also problems with employability of school-leavers, especially those graduating from secondary school.

Activities connected with setting up and fitting out training centres at individual business entities are supported so that these businesses have the chance to foster and refine the focus of the skills wielded by their own employees, thus preparing them – on an ongoing basis – for changes related to innovations and technologies.

In the 2004 – 2006 programming period, 77 projects have received assistance totalling CZK 356.5 million so far (as at 30 June 2007) under the Operational Programme Industry and Enterprise (the Training Centres Support Programme).

In the 2007 – 2013 programming period, a minor adjustment will be made to the Training Centres Programme based on past experience so that assistance also becomes available for entities operating outside the field of initial education (private businesses offering specific training) that provide further vocational training, especially for the employees of small and medium-sized enterprises and employees from the sphere of industrial services.

### **1.2.7 ATTITUDE OF INDUSTRY TO ENVIRONMENTAL PROTECTION**

Due to the importance of energy, heavy industry, chemicals, oil processing, food production, cellulose and paper sectors in the Czech economy the impact of industry on the environment is greater than in countries with a higher share of high-tech sectors (pharmaceuticals, special materials, instruments, communication technology, computers etc). But if we compare the current situation with the beginning of the nineties then a positive trend is apparent – long term reduction of emissions both absolutely and per unit of production, reduction of the production of dangerous wastes, reduction of the consumption of surface and underground water, increasing material and energy utilisation of industrial and communal wastes.

A considerable reduction in emissions was caused first by closing down a number of obsolete production facilities in the first half of the nineties and then by the use of end-of pipe technologies for the reduction of emissions. In later years the investments into production technologies showed positive effects; most of them were imported. This is related with the privatisation and arrival of large foreign investors.

The industrial sector has been strengthening its weight in the economy of the Czech Republic. It can be documented by the still high growth of industrial production at the beginning of this decade. The Czech Republic has a potential for the share of the industry in the GDP to be higher than in the developed EU countries for the next 5 to 10 years. The main reason is an inflow of foreign investments that are primarily oriented to the manufacturing industry and their influence can be assumed even in the medium term horizon.

In the ongoing process of economic integration (entering the EU market) and globalisation individual sectors developed non-uniformly. For example, the textile, leather and shoe sectors register permanent decline. The Asian manufacturers whose labour costs are low and whose expenses on environmental protection and safety at work and health protection are zero manufacture the same goods under the conditions with which European manufactures cannot compete. This trend is going to apply increasingly to other areas (electronics, white goods, glass, ceramics etc.).

Czech industry has a high transformation potential to change most of these sectors from a handicapped competitor of new Asian markets (due to higher environmental and social costs) to a high-tech or dematerialised economy (high share of specialised services). All



measures leading to reducing the energy and material intensiveness of the Czech industry will have indirect positive impact of the environment.

On the other hand the “revitalisation” of traditional sectors (steel, heavy chemistry) makes the implementation of BAT (best available techniques) more difficult and higher environmental standards (IPPC, EIA, emission limits) may cause investors to leave for the East and South East countries. Similarly counterproductive is export of electric energy from coal power stations compensated by “renewable sources” which are more expensive and in the end increase the production costs (disadvantage on global markets) – particularly in the case of products with low added value (metallurgy, heavy chemistry etc.). Increases in energy costs and strategic materials represents a serious threat to such production but it can be expected that the prices of energy will rise worldwide and thus it will depend on the efficiency of the production and on the application of break-through technologies.

These sectors can hardly absorb further tightening of the emission limits and it only leads to moving such technologies to the “third world” countries (production of aluminium, steel, fertilisers etc.). Similar is the impact of the reduction targets stipulated by the Kyoto Protocol which specifies the “carbon leak”, i.e. the leak of emissions (or production with high emissions per unit of production like cement, glass, steel and aluminium) out of the “Kyoto space”. This applies for example to China, India, Brazil, Venezuela, Mexico, South Korea, SAR and other countries which due to their raw material potential can easily compete with the countries of Central and Eastern Europe. These economic pressures make further sustainable development of some sectors and production in the Czech Republic nearly impossible.

The only way out from this situation is a multiple reduction of the energy consumption per unit of economic output (GDP), i.e. focusing on products with high added value, inventing and protecting know-how, use of traditional “logo” (glass, porcelain, special instruments, precision mechanics etc.) or maximum “dematerialisation” (providing special services in telecommunication technologies, consulting, culture, medicine, tourism etc.). In this area the key role belongs to research and development that should increase the “accessibility” of BAT (e.g. selective separation processes, new materials, optimisation of chemical processes, selective catalysers, immobilised enzymes etc.).

### **Impacts of the REACH system on the industry of the Czech Republic**

Within the framework of the European Union a new approach to the management of chemicals traded on the European markets is being prepared. This approach is currently formulated in the text “Proposal for a Regulation of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency and amending Directive 1999/45/EC and Regulation (EC) on Persistent Organic Pollutants” COM(2003)644 dated 29 October 2003. The REACH will directly affect the Czech manufacturing industry that will have to systematically consider replacing toxic materials by less harmful alternatives.

### **1.3 SWOT Analysis**

As the sources for the SWOT analysis were used: the above socio-economic analysis of the economy and industry of the Czech Republic and some of the results of the SWOT analysis of the National Development Plan for the years 2007 – 2013 related to the sector of industry and enterprise. The SWOT analysis containing an overall evaluation of strengths and weaknesses, opportunities and threats represents a basis for the formulation of proposed priorities of the OPEI. The SWOT analysis is focused on specifying key areas resulting from the

socio-economic research and analysis of the sector of industry for the purpose of adopting an optimum strategy for resolving and development of identified areas.

The SWOT analysis enabled an identification of future potential areas of development (it identified key barriers of development of enterprise in the Czech Republic) to which belong research, development, innovation, support for start-up businesses, human resources for enterprise, entrepreneurial infrastructure and energy savings and which are reflected in six approved material priorities of the Operational Programme Enterprise and Innovation specified in chapter 3.

In order to be as comprehensive as possible, the SWOT analysis also identifies, in addition to the areas (weaknesses) supported by the Operational Programme from EU Structural Funds, areas which cannot be supported from Structural Funds, and which must be addressed through national-level measures.

### **Strengths**

- Joining the EU advanced the stabilisation of the economy of the Czech Republic and the process of its convergence to the average standard of living of EU-25
- High growth of the economy - from the point of view of the growth factors and within the EU a healthy growth of the economy exceeding the average
- Price stability with a low inflation rate and low growth of the cost of production
- Relatively high degree of the labour force qualifications
- Relatively high degree of the market liberalisation
- Growth of the Czech industry's competitiveness and its important role in reaching positive foreign trade balance in 2005
- Ability of manufacturing industry to cope with a faster growth of domestic prices and with the increased strength of the Czech crown
- Significant position of small and medium-sized enterprises in Czech industry
- Financial instruments for the support of SMEs
- Effective functioning of governmental agencies for enterprise, investments and export support
- Benefits from foreign investments supported the policy of governmental investment incentives – for the regions and for the export of goods and services
- Development of the national “cluster strategy” and the system of supporting sub-suppliers of final global manufacturers located in the territory of the Czech Republic

### **Weaknesses**

- Relative rigidity of the labour market, low mobility of labour force
- Sustained long-term unemployment
- Difficult employment of the graduates of some universities, persons over 50 and females on the labour market



- Low interest in starting a business and reluctance to bear the risks involved
- High energy and material intensiveness of the Czech economy exceeding the European average and dependence on their import
- Low offer of vacant jobs in the regions with high unemployment
- Insufficient relation between the offer of vacant jobs and the demand for concrete professions and qualifications
- High tax burden which de-motivates investors in innovative activities
- Low labour productivity in the manufacturing industry within the Eurozone, particularly among SMEs
- More difficult access of SMEs to investments into modern technologies and licences
- Insufficient quality and high cost of fast data transmission networks
- Lag in the number of patent applications and granted patents
- Insufficient entrepreneurial infrastructure and offer of appropriate and economically affordable business sites and real estate
- Insufficient use of the potential of brownfields
- Insufficiently developed service sector for industry
- Insufficient capacity of the providers of services in general; in particular of the services related to increasing the quality of human resources
- Low capital strength of SMEs for financing large projects
- Weak position of SMEs in the competition for orders
- Low ability of SMEs regarding hiring qualified workers
- Insufficient extent of modern managerial methods' application
- Directing foreign investments to less sophisticated production
- Low level of special skills development among SMEs, including those engaged in international trade
- General lack of commercial/marketing proficiency including capability to prepare international benchmarking analyses of competitors etc.
- Low knowledge of foreign markets and foreign business opportunities among SMEs
- Low share of GDP spent on expenditures into R&D, below the European average
- Undeveloped risk financing of companies focused on innovation
- Low interest of SMEs in innovative activities, the use of research and development and increasing human resources quality
- Insufficient share of the use of renewable energy sources in the primary consumption of the energy sources
- Insufficient readiness of SMEs to cooperate with each other or to cooperate with science and research institutions

- Lack of qualified personnel in specific technical professions in some regions
- Lagging effectiveness of transfer of R&D results to the industrial use compared with developed countries of the Eurozone
- Lack of workplaces with effectively functioning transfer of R&D results
- Lower economic accessibility to foreign know-how, technologies and patents for most SMEs including high costs of intellectual property protection

## **Opportunities**

- Revitalisation of the world economy namely in the EU
- Reducing regional disparities with the use of the Structural Funds in the period 2007 - 2013
- Further inflow of foreign capital and investments, mainly to sophisticated sectors
- Growth and innovational potential of medium-sized enterprises to large ones
- Stability and attractiveness of the Czech economy
- Advantageous geographic location of the Czech Republic in the EU
- General improvement of qualification structure and of the educational system according to the needs of knowledge economy
- Dynamics of foreign trade of the Czech Republic that significantly contributes to GDP growth
- Big share of SMEs in the structure of enterprises and their potential
- Improvement of the environment for investments
- Increasing business real estate offer
- Increasing the share of industrial products with higher technological level in foreign trade
- Diversification of the export offer and diversification of export markets
- Development of services
- Forming clusters in which SMEs and research and development institutions participate
- Development of modern possibilities of “mobility” and organising contacts, information exchange and cooperation between enterprises and R&D institutions
- Interconnecting Czech R&D capacities with European R&D structures
- Inflow of foreign investments focused on development of technological centres and high-tech and medium-tech enterprises
- More extensive use of renewable, possibly also secondary energy sources

## **Threats**

- Long-term continuation of current economic recession in main areas of world economy

- Enduring low enforceability of law
- Increasing dependency of the Czech economy on strong capital multinational corporations
- Increasing foreign competition on world markets, mainly from cheap products coming from Asian countries
- Outer “shocks” caused by the price increase of oil on the world markets, prices of energy and other raw materials
- Dependency of export-oriented sectors of industry on economic cycles in EU countries
- Risk of forming a dual economy (regional and sectoral)
- Slow response of educational process to the needs of knowledge society
- Lag of the effectiveness of R&D results’ transfer to industrial use in comparison with developed countries of the Eurozone
- Low labour mobility among highly qualified and scientific and technological professions
- Insufficient coherence and low transfer of R&D results to the industry and to industrial services’ development
- Slow reaction of R&D institutions and innovative enterprises to possibilities of work in new sectors and in the application of research (nanotechnology, biotechnology, non-traditional renewable energy sources, power engineering, genetics etc.)

On the basis of the analyses carried out in connection with the preparation of the OPEI and of the results of ex-ante evaluation completed so far it is possible to say that the enterprise sector of the Czech Republic – in spite of its many strengths (industrial tradition, suitable geographic location, qualified labour force) – needs to make significant progress in the area of research and development, innovation, cooperation between companies and the R&D sector and in the area of energy efficiency. Attention must be paid to the development of the entrepreneurial environment (entrepreneurial infrastructure), to enterprise in general and to human resource development.

From the SWOT analysis it is obvious that the Czech Republic has a strong and broad industrial base - particularly in the manufacturing industry – and it is a country with a tradition of technical and machinery sectors. In the past years the performance of the Czech economy was reinforced by direct foreign investments that created new jobs in multinational firms and at the same time in small and medium-sized suppliers. It thus assisted to mitigate the impact of the jobs lost in the heavy machinery and in mining industries i.e. in the sectors affected by the restructuring. However, foreign investments have not been allocated uniformly to all regions. In connection with internal structural defects of some regions of the Czech Republic it did not lead to a uniform development of economic performance across all regions.

For the sake of the development of the economy and its competitiveness it is necessary to extend the entrepreneurial infrastructure, improve entrepreneurial environment, reinforce the development of industrial services, focus on support of research and development and innovations, develop material and intellectual infrastructure necessary for the Czech Republic

to compete with the European and world economies based on knowledge and on the use of modern technologies.

It is important to keep in mind that the enterprise sector is not only oriented to industrial activities but also to services. It is necessary to take into account the growing importance of in particular the business support services sector.

#### **1.4 Results of the OPIE 2004 – 2006**

The Operational Programme Industry and Enterprise (OPIE), ran for a shortened programming period 2004 – 2006, was oriented on the so-called Objective 1 of the economic and social cohesion policy of the EU. It applied to the entire territory of the Czech Republic, with the exception of the City of Prague, and it was a mono-fund programme (i.e., the sources were drawn only from the European Regional Development Fund).

The Ministry of Industry and Trade was the first government department where the European funds were really drawn by (final) beneficiaries (namely by way of preferential credits within the programmes START and KREDIT that have been granted already from September 2004) and to which the Ministry of Finance at the beginning of 2005 issued the first certification of expenses applicable to the European Commission. The OPIE's share in the overall support was set by the Czech government at 17.94% of all of the funds allocated from Structural Funds for Objective 1 Operational Programmes, which in absolute figures means € 260.8 mil.

#### **Results of the OPIE, as at 31 December 2006**

A massive increase in drawdown occurred in the Operational Programme Industry and Enterprise in 2006. CZK 2 672 848 199 had been drawn as at 31 Dec. 2006 (by drawdown is understood the total amount authorised by the Department of Structural Funds of the MIT – authorised to act as the OPEI Managing Authority - and submitted to the Paying Unit; in the case of the CZMR Bank the amount of transfers of the means to the revolving fund for the realisation of the programmes START and CREDIT). These were subsidies to 299 realised projects amounting to CZK 1 325 247 714, and an allocation of CZK 1 231 931 255 to the revolving fund of the CZMR Bank.

A total of 1 234 decisions had been made, as at 31 December 2006, amounting to CZK 7 715 963 100 in subsidies.

As at 31 December 2006, in the START programme 833 credit agreements had been concluded, amounting to CZK 371 010 607; in the CREDIT programme 798 credit agreements, amounting to CZK 1 656 380 680, i.e., in total 1 631 credit agreements were concluded, amounting to CZK 2.027 bn. As at 31 December 2006, in the START and CREDIT programmes, the total amount drawn was CZK 1 594 809 776 for 1 370 credits. Credit programmes include 60 % support from the OPIE while 40 % are resources acquired by the CZMR bank from the financial market.

The real utilisation of the means from the Structural Funds through the OPIE 2004-2006 documents a high absorption capacity of the enterprises, and their capability to prepare and realise the projects that meet the criteria of the operational programme, exceeding OPIE's financial capacity. The above facts resulted in – among other things – an early closure of application process for some of the programmes (DEVELOPMENT, INNOVATION, RENEWABLE ENERGY SOURCES) and in a high number of submitted applications at the end of the programming period, which did not allow the majority of other programmes to

fully satisfy all the approved applicants recommended by independent evaluation committees to be supported on the grounds of their quality.

With regard to the fact that 25.63% of allocated resources had been drawn from the OPIE as at 31 December 2006, there is reason to believe that the highest physical disbursement of resources will take place in 2007.

By far the most successful schemes under the OPIE are the subsidy schemes Development, Innovation and the two credit programmes Start and Credit. The success of these OPIE schemes is reflected in their inclusion in the new Operational Programme Enterprise and Innovation for the 2007 – 2013 period, whereby the Credit scheme will be replaced by the new Progress scheme, complemented in the OPEI by the Guarantee scheme. Based on an evaluation of the business community's interest in support schemes under the OPIE and their success, it was decided that, in addition to the support schemes above, the 2007 – 2013 programming period would also continue the support schemes Prosperity, Real Estate (Property in the OPEI), Training Centres, and Marketing under the new Operational Programme Enterprise and Innovation; the new Eco-Energy scheme has been introduced in place of the Renewable Energy Sources and Energy Savings schemes in the OPEI.

Other new support schemes under the OPEI are ICT in Enterprises, ICT and Strategy Services, Potential, Cooperation and Consultancy. In all, the OPEI includes 15 support schemes.

On the basis of evaluation of the implementation process of the Operational Programme Industry and Enterprise the Managing Authority/the MIT decided to make, as part of implementation of the new Operational Programme Enterprise and Innovation, several radical qualitative changes that respond to experience gained from implementation of the Operational Programme Industry and Enterprise with a view to simplifying some implementation procedures and getting this operational programme as close as possible to the business community.

In addition to the inclusion of the above proven support sub-schemes from the previous programming period in the OPEI, the OPEI Managing Authority has optimised the implementation structure with a view to improving and streamlining the implementation process, including the launch of a system for the electronic admission of applications (e-account), which simplifies communication between applicants and the OPEI implementation structure. For the programming period 2007 – 2013, the sole Intermediate Body for subsidy schemes within the OPEI implementation structure will be the agency CzechInvest; for loans, guarantees and other financial instruments: the Czech-Moravian Guarantee and Development Bank

Other measures have been taken in the area of securing sufficient administrative capacities for timely handling of applications for support and also in terms of evaluation of projects and authorization of payments. Specifically, this entails the possibility of hiring staff for a definite term and covering related staff costs from the OPEI Technical Assistance funds. Measures aimed at simplifying the implementation process also affect on-site checks.

The results of OPIE 2004-2006 are discussed in detail in the 2006 Annual Report drafted by the OPIE Managing Authority in April 2007, and approved by the OPIE Monitoring Committee on 4 June 2007.

## **2. DEVELOPMENT OBJECTIVES FOR THE PERIOD 2007 – 2013 STRATEGIC ORIENTATION OF THE OPEI**

### **2.1 Basis of the strategy of the Operational Programme**

The strategy of the new Operational Programme proposed within the responsibility of the MIT for the period 2007-2013 is based on increasing industrial competitiveness and on the development of business support services that enable sustainable development. Industry is a decisive economic sector of the Czech Republic with crucial role in GDP growth, an important source of employment and a key consumer of the products of the knowledge economy. It remains one of the fundamental pillars that will ensure the successful achievement of the objectives of gradual convergence of the standard of life of the inhabitants of the Czech Republic to the standard of life of the EU.

#### **Current innovation performance of the Czech Republic**

Several recent international benchmarking exercises have not resulted in a favourable appraisal of the Czech Republic. The worst turned out to be the results evaluating the barriers to innovation. The relative number of workers in research and development is low, the share of risk capital in the expenditures on research and development and innovation is low. The country performs poorly in the effective transfer of R&D results to innovative processes, in the quality of management and administration of firms, in the effectiveness of financial markets and last but not least in the quality of public institutions.

The low scores for scientific, technical and innovation performance of the Czech Republic represents challenges that have existed for some time. They reflect the so far low level of development of the domestic knowledge base and the low intensity of innovation among enterprises.

The consequence is the dependence of Czech businesses on imports of very expensive and for many enterprises financially unaffordable foreign licenses, technical know-how, machinery and advanced technologies. This dependence has been reflected in a long term “undercapitalisation” of the industrial production-technology base - particularly among small and medium-sized enterprises - and in a slow upgrading process where qualitatively less demanding technologies have been surviving in a number of sectors.

Accepting the terms of hard international competition and becoming internationally competitive is essential for Czech enterprises to share in the decisive processes of growth and to participate in building economic prosperity of the EU.

The Czech Republic faces challenges in all of the above mentioned areas. The state will have to increase investments not only in education but also in infrastructure development and in the conditions for innovative enterprises and thus address its past weaknesses.

Also the enterprises will have to invest in increasing the knowledge of their employees in order to increase the added value of their products and services and in turn create new values for customers, owners and for the enterprise. There will be no alternative to achieving the necessary competitive advantages.

For the above reasons it is necessary within the legislative and policy framework of the EU and of the Czech Republic to provide maximum support to the subjects that will be able to increase their innovation potential and develop the knowledge of their employees.



## **Financial aspects of the strategy of the Operational Programme**

The Operational Programme reflects the strategy of the European Union regarding indirect and direct aid to SMEs to overcome existing barriers of access to capital which represent a typical case of market failure.

In compliance with the Lisbon strategy it is planned to provide support primarily to the enterprises with higher innovation potential. This will include support for start-ups and for further development of existing enterprises. Support will focus on strengthening their competitiveness with emphasis on the regions with structural problems and high unemployment. This represent another of the long-term priorities of the EU (“higher number of better jobs”).

A set of measures combining public and private resources should stimulate R&D activities and the processes of product and technology innovation capable of competing in international markets.

### **Internationalisation of enterprise**

The ability to succeed in international competition and ability to secure higher margins from the internationalisation of companies represents an indispensable condition for active participation of the enterprise sphere in the European and global economy. It is the most important challenge for the whole enterprise sector. This also applies without exception to SMEs.

The „new economy“ will be increasingly based on new forms of international cooperation and internationalisation and on rapid growth of informatics, on knowledge and communications that increasingly unite the world.

Being a member of the European Union is first of all a great challenge for the Czech Republic. It provides a single market but also a synergy of creative forces, a common growth strategy and use of centralised financial funds to promote increased competitiveness.

It is necessary to seek strategic partners for the future across the EU and together prepare projects to capitalise on technological and capital strength and the otherwise inaccessible advantages of centralised public support.

### **Institutional quality and entrepreneurial environment**

The quality of institutional support in the Czech Republic requires fundamental, fast and effective changes. Its low effectiveness unfavourably affects the economic performance of the country and reduces the effectiveness of the innovation and educational systems outputs.

For this reason it is necessary to realise the measures oriented to increasing the quality of entrepreneurial environment, entrepreneurial culture and entrepreneurial infrastructure.

Therefore improving the entrepreneurial environment should focus on upgrading public support structures including the support embedded in the programmes and measures of the EU Structural Funds.

### **Business support services**

Public support will have to concentrate intensively on the infrastructure for delivery of complex of business support services - their share in the employment and in the performance of the economy is still far below international average and its lack is one of the identified barriers to innovation.

To entrepreneurial subjects prepared in terms of the quality of their human resources for permanent “changes” globalisation will provide unprecedented possibilities.

In this respect the forms of public support should be focused primarily on:

- development of information technologies and support for the intensive use of ICT,
- systems of legal protection of intellectual property particularly for SMEs and legal assistance regarding negotiation of trade contracts, cooperation agreements and other alliance agreements respecting internationally accepted legal standards,
- assisting SMEs that see new business opportunities to preparing international benchmarking studies and marketing analyses.

### **Market failure and innovation**

Many international comparisons of the results of research and development and of the Czech Republic’ innovation performance (OECD, EUROSTAT, IMD, UNESCO etc.) provide certain arguments that existing market mechanisms aimed at improving and developing innovation have not fully met the needs of economic reforms and have not prevented today’s situation which can be characterised as “market failure”.

## **2.2 Strategic orientation of the support for enterprise and innovation in the Czech Republic**

For the purpose of supporting enterprise and innovation in the Czech Republic, the strategic orientation was set out in the Operational Programme. It matches with the needs of the Czech economy resulting from the socio-economic analysis and SWOT analysis introduced in Chapter 1, and tying into the Economic Growth Strategy of the Czech Republic, which recommends selecting the priorities with regard to the size of the economy of the Czech Republic, and selecting the sectors in which the Czech economy can be competitive in Europe and in the world. Further to select the firms that are a part of the manufacturing chain or services chain with a growth potential which sufficiently satisfy preconditions for further development thanks to the concentration of research, manufacturing, educational and support activities. The fundamental premise of the OPEI is to become competitive at both European and worldwide levels and to support positive structural changes in the economy.

- 1 Improvement of entrepreneurial infrastructure through the development of modern commercial real estate to European standards oriented primarily to the regeneration of brownfield sites. The support for the development of science and technology parks, technology transfer centres and other infrastructure for R&D oriented primarily to the activities of innovative firms.
- 2 Support for cooperation between firms, universities and research institutions for the purpose of increasing effective and rapid transfer of advanced know-how to practice and support of firms’ own R&D primarily by way of initiating appropriate cooperation activities.
- 3 Development of firms’ activities in creating their own design, innovation, research and development capacities and infrastructure for R&D, support of access by SMEs to new state of the art technologies and to knowledge in order to increase their productivity.

- 4 Implementation of technical (including ecologically favourable) and non-technical innovations including their testing and verification of their potential for success in competitive markets.
- 5 Implementation of new technologies and manufacturing processes.
- 6 Implementation of state of the art ICT.
- 7 Creating and improving business support services through the register of certified consultants, gathering information specifically prepared for enterprises as well as for the public and support for patent activities and IP protection in the Czech Republic and abroad.
- 8 Promotion of the infrastructure for human resources development through reinforcing the links between R&D and industrial design and supporting a higher degree of integration, between university workplaces, research institutions and innovative firms.
- 9 Internationalisation of firms and of the results of the processes realised by them.
- 10 Support for entrepreneurship, for the creation and development of new and existing technologically oriented firms, for the creation of a favourable business environment providing both technical and financial conditions that provide firms in structurally affected and economically weak regions with appropriate support including seed and risk capital, preferential credits, guarantees and support for the development of environmentally friendly production facilities.
- 11 Effective use of all kinds of energy and raw materials with the aim of maximum savings of fossil fuels through energy savings in the manufacturing industry, primarily in energy intensive sectors, energy savings in production and reducing losses in the distribution of electric energy and heat, utilisation of accessible potential of renewable and possibly secondary sources (except supporting incinerators) and alternative fuel.

It is possible to assume that by the year 2015 the Czech Republic will have a competitive entrepreneurial sector achieving high added value and labour productivity, competing successfully both on the EU internal market and on other international markets.

The enterprise sector should build its competitiveness primarily on applications of new scientific and technical knowledge, realisation of innovational measures, qualified labour force and functioning network of business support services.

Sectoral delimitation of the support should be focused on continuing enforcement of positive changes in the structure of industrial production in the manufacturing industry with the aim to qualitatively move the economy of the Czech Republic towards the most advanced knowledge-technology centres of the European Union. The OPEI focuses on manufacturing sector and services (notably ICT services), with a particular preference for the hi-tech branches (projects centring on these branches receive more points in the scoring process). The so-called low-tech branches are not disqualified from assistance, but with regard to the configuration of the evaluation system in place for projects submitted under the OPEI, the support they receive will be much lower than that available to branches with high added value. The specification of branch support provided in a given area of intervention of the OPEI shall be detailed in individual calls.

## 2.3 Global objective and specific objectives for the growth strategy of the OPEI

### 2.3.1 GLOBAL OBJECTIVE OF THE OPERATIONAL PROGRAMME

**By the end of the programming period the global objective of the Operational Programme Enterprise and Innovation is to increase the competitiveness of the Czech economy and bring the innovation performance of the industry and services sectors closer to the level of leading industrial EU member states.**

The global objective of the OPEI as defined above fulfils an important part of the strategic objective of the National Strategic Reference Framework of the Czech Republic 2007-2013 “Competitive Czech economy” and complies with the Community Strategic Guidelines 2007-2013.

In order to achieve the global objective the financial resources from the OPEI will be concentrated on specified priority axes characterised by individual strategic objectives so that in the future all regions share in the economic growth of the Czech Republic which in turn will eliminate social exclusion among certain groups of the population.

The wording of the global objective and specific objectives represents an overall framework regarding how Czech enterprises - in the context of the future knowledge economy, increasing globalisation of the world economy and accompanying conditions of successful competition for winning a share on the world and European markets – will be able to become internationally respected and at the same time key actors in creating sustainable growth and competitiveness for both the Czech and European economies.

In the implementation of the Operational Programme Enterprise and Innovation, thorough care shall be taken to ensure that the support provided goes primarily to small and medium-sized enterprises, in line with the Community Strategic Guidelines.

## 2.3.2 SPECIFIC OBJECTIVES OF THE OPERATIONAL PROGRAMME

### Objectives, priority axes and areas of intervention of the OPEI

Global objective of the OPEI	Specific objective of priority axis	Priority axis	Area of intervention
„By the end of the programming period to increase the competitiveness of the Czech economy and bring the innovation performance of the industry and services sectors closer to the level of leading industrial EU member states. “	Increase the motivation for starting a business, intensify the activity of small and medium sized enterprises and create conditions for the use of new financial instruments for starting a business	<b>1 Establishment of firms</b>	1.1 Support of new entrepreneurs
			1.2 Use of new financial instruments
	Increase the competitiveness of firms through implementation of new production technologies, intensify the development of information and communication technologies and business services.	<b>2 Development of firms</b>	2.1 Bank instruments to support small and medium-sized enterprises
			2.2 Support for new manufacturing technologies, ICT and selected strategic services
	Increase effectiveness of energy use in industry and use of renewable and possibly secondary sources of energy (except incinerators).	<b>3 Effective energy</b>	3.1 Energy savings and renewable sources of energy
	Strengthen innovative activities of firms (implementation of innovative technologies, products and services)	<b>4 Innovation</b>	4.1 Increasing the innovative performance of firms
			4.2 Capacities for industrial research and development
	Encourage cooperation of industry sector with R&D organisations, increase quality of infrastructure for industrial research, technological development and innovation, increase effectiveness of human resources in industry and increase quality of infrastructure for enterprise	<b>5 Environment for enterprise and innovation</b>	5.1 Cooperation platforms
			5.2 Infrastructure for human resources' development
			5.3 Infrastructure for enterprise
Intensify development of consulting and information services for business	<b>6 Business development services</b>	6.1 Support of consulting services	
		6.2 Support of marketing services	
Develop institutional, technical and administrative conditions for the realisation of the operational programme	<b>7 Technical assistance</b>	7.1 TA in management and implementation of OPEI	
		7.2 Other TA	

## 2.4 Coherence

### 2.4.1 EVALUATION OF OUTER COHERENCE OF THE OPERATIONAL PROGRAMME

#### I Coherence with relevant strategic documents of the EU

##### Ia) Community Strategic Guidelines (CSG)

Community Strategic Guidelines (General Guidelines of the Cohesion Policy of the EU 2007- 2013 – “CSG“) represent a fundamental document for the preparation of the National strategic reference framework for the period 2007 – 2013.

	OPEI priority axes					
	PO1 Estab- lishment of firms	PO2 Deve- lopment of firms	PO3 Effective energy	PO4 Innova- tion	PO5 Envi- ronment for enterprise and inno- vation	PO6 Business develop- ment services
<b>Guideline I: Making Europe and its regions more attractive places to invest and work</b>						
Expand and improve transport infrastructures						
Strengthen the synergies between environmental protection and growth			X	X	X	
Address Europe’s intensive use of traditional energy sources			XXX			
<b>Guideline II: Improving knowledge and innovation for growth</b>						
Increase and improve investment in RTD	XXX	XXX		XXX	XXX	XXX
Facilitate innovation and promote entrepreneurship	XXX	XXX		XXX	XXX	XXX
Promote the information society for all	XX	XX		XX	XX	XX
Improve access to finance	XXX	XXX	X	XX	X	X
<b>Guideline III: More and better jobs</b>						
Attract and retain more people in employment and modernise social protection systems	X	X		X	X	X
Improve adaptability of workers and enterprises and the flexibility of the labour market				X	X	
Increase investment in human capital through better education and skills					XX	X
Administrative Capacity						
Help maintain a healthy labour force						

Note: XXX OPEI priority axis predominantly focused on achieving the objectives of relevant general guideline of the CSG



- XX OPEI priority axis significantly supports achieving the of relevant general guideline of the CSG
- X OPEI priority axis not directly focused on achieving the objectives of relevant general guideline of the CSG but provides mediated assistance to achieving the objectives

### Guideline I: Making Europe and its regions more attractive places to invest and work

Among other issues the guideline addresses the use of traditional energy sources. The issue is included in the OPEI through its specific objective: “Effective use of energy in industry and use of renewable and possibly secondary energy sources” realised in the OPEI Priority axis 3 as part of the area of intervention “Energy savings and renewable sources of energy” focused on energy savings in SMEs and on renewable sources of energy.

The guideline includes also reinforcing the links between environmental protection and economic growth. This is also the objective of the OPEI through the Priority axis 3 “Effective energy”, Priority axis 4 “Innovation” and Priority axis 5 “Environment for Enterprise and Innovation”.

### Guideline II: Improving knowledge and innovation for growth

The guideline includes increasing and improving investments in research and technology development, facilitating innovations and support for the spirit of enterprise, promoting the information society for all and last but not least improvement of access to finance.

All priority axes of the OPEI are in conformity with the guideline. The OPEI complies with the guideline in the following aspects:

- Support for enterprises, universities and research and development institutions to increase the effective and rapid transfer of advanced know-how to practice and to support in-company R&D through the initiation of appropriate cooperative associations and also by strengthening the links between R&D in the public sector and in-company R&D, joint activities of universities, research institutions and innovative enterprises;
- Development of firms’ activities in developing their own design, innovative research and development capacities and company infrastructure for R&D aimed to support SMEs’ access to new advanced technologies and knowledge and to increase their productivity;
- Implementation of technical (including environmentally friendly) and non-technical innovations including their testing and verification of their viability in foreign markets;
- Implementation of new technologies and manufacturing/production processes;
- Implementation of state of the art ICT;
- Development of services that aim to improve the quality of human resources in enterprises;
- Internationalisation of enterprises and the innovative processes they realised;
- Encouraging an entrepreneurial spirit, establishing and development of technologically oriented firms including creating an appropriate environment but also technical and financial conditions to facilitate not only the establishment of firms but also the development of exiting firms located in structurally affected and economically weak

regions through provision of seed capital and risk capital, preferential loans and guarantees.

### Guideline III: More and better jobs

The OPEI follows the guideline namely through the objective “Human resources development in industry” realised in Priority axis 5 of the OPEI.

Mediated relation to this guideline is noticeable in all the priority axes of the OPEI (except PO3). Achieving the objectives of the areas of intervention of the OPEI should result in an increased share of the people employed with improved job security and increased workforce flexibility .

### **Ib) Lisbon strategy – National Reform Programme (NRP)**

The Lisbon strategy was adopted in March 2000 and further amended by the conclusions of the European Council in Stockholm (March 2001) and Gothenburg (June 2001). The Lisbon strategy is aimed at resolving the long term macroeconomic and structural problems of the EU as a whole and of individual member countries and it should contribute to a higher consistency of the positions in determining economic priorities.

On the basis of the new orientation of the Lisbon strategy, or Integrated Guidelines, the Czech Republic then worked out the National Reform Programme (NRP). With regard to the fact that the National Reform Programme comes from the Lisbon strategy, we present a comparison only with the NRP.

NRP		OPEI priority axes					
		PO1 Estab- lishment of firms	PO2 Deve- lopment of firms	PO3 Effective energy	PO4 Innova- tion	PO5 Envi- ronment for enterprise and inno- vation	PO6 Business develop- ment services
	Macroeconomic part						
	Microeconomic part	XXX	XXX	XXX	XXX	XXX	XXX
	Employment part	X	X		X	XX	

Due to its orientation the OPEI is not coherent with the macroeconomic part of the NRP; with the employment part it relates through Priority axis 5 in the area of cooperation between enterprises and educational institutions; and mediated relation is in further education in the firms.

An intensive relation exists only between the OPEI and the microeconomic part through the priority axes of the OPEI. An important connection of all OPEI priority axes with the NRP is noticeable in the areas of business environment, research and innovations; further relation consists in effective use of energy (through Priority axis 3) and in the area of ICT (namely through Priority axis 2).

Under Article 9(3) of the General Regulation on the Structural Funds and the Cohesion Fund the assistance co-financed by the Funds shall target the European Union priorities of

promoting competitiveness and creating jobs, including meeting the objectives of the Integrated Guidelines for Growth and Jobs (2005 to 2008) as set out by Council Decision 2005/600/EC of 12 July 2005. To this end, in accordance with their respective responsibilities, the Commission and the Member States shall ensure that 60% of expenditure for the Convergence objective for all the Member States of the European Union as constituted before 1 May 2004 is set for the abovementioned priorities.

Although the above provision does not apply to new Member States that acceded to the European Union on 1 May 2004 and thereafter, the Czech Republic does not forget to stress the compliance of the proposed strategy with the National Reform Programme and the Lisbon strategy (see the National Strategic Reference Framework of the Czech Republic 2007 – 2013). Hence, also individual operational programmes, in which higher share of Lisbon interventions is planned for the programming period 2007-2013 than for the previous programming period, reflect links to the National Reform Programme. Some operational programmes, including the Operational Programme Enterprise and Innovation, will focus directly on support for the transfer of results of research, development and innovations and will also centre on the development of the quality of human resources for the purposes of the knowledge based economy and thereby will fulfil the European dimension of interventions.

The Operational Programme Enterprise and Innovation fully complies with the requirements of the European Commission laid down in Article 9(3) of the General Regulation on the Structural Funds and the Cohesion Fund. Table 17 ("Priority theme 1") in Chapter 5 "Indicative financial plan" gives the precise list of intervention codes, including the amounts of the funding allocated to the Lisbon strategy. These categories of expenditure determined for individual priority axes of the OPEI in accordance with the categories of expenditure under Annex IV to the General Regulation and allocations proposed on their basis show that 97.07 % of the funding under the OPEI focuses on the Lisbon strategy. At the same time, the highest allocations are geared towards categories relating to research and technology development, innovation and enterprise.

## **II Coherence with the priorities of the development policy of the Czech Republic**

### **IIa National Strategic Reference Framework (NSRF)**

The NSRF, emerging from CSG, is a fundamental document for the preparation of operational programmes for the period 2007 – 2013.

Close relation between the OPEI and the NSRF is evident and it applies to all OPEI priority axes and strategic objectives of the NSRF. Most important relations of the OPEI priority axes are with the strategic Objective I of the NSRF "Competitive Czech economy". The relations are visible in the areas of business development, innovative technologies, research and development, consulting, cooperation and also in the sphere of the development of the infrastructure for enterprise and brownfield regeneration.

Objective II of the NSRF "Open, flexible and cohesive society" is reflected in all OPEI priority axes through the information society, cooperation of enterprises with educational institutions and through the support of infrastructure for human resource development.

In the area of energy savings the OPEI (Priority axis 3) is linked with strategic objective III of the NSRF "Attractive environment". This strategic objective is indirectly linked with Priority axis 5 by way of supporting the development of commercial real estate linked with the environment improvement.

A mediated relation to the Strategic objective IV of the NSRF “Balanced territory development” exists for all OPEI priority axes.

	Strategic objectives/priorities NSRF	OPEI priority axes					
		PO1 Estab- lishment of firms	PO2 Deve- lopment of firms	PO3 Effective energy	PO4 Innova- tion	PO5 Envi- ronment for enterprise and inno- vation	PO6 Business develop- ment services
NSRF	<b>Strategic objective I: Competitive Czech economy</b>						
	Competitive business sector	XXX	XXX		XXX	XXX	XXX
	Support of R&D capacities	XXX	XXX		XXX	XXX	XXX
	Development of sustainable tourism		X			X	X
	<b>Strategic objective II: Open, flexible and cohesive society</b>						
	Education					XX	
	Increasing employment and ability to get employed					X	
	Enforcing social cohesiveness						
	Development of information society	X	X		X	X	X
	Smart Administration						
	<b>Strategic objective III: Attractive environment</b>						
	Protection and improvement of environment			XX		X	
	Improvement of accessibility of transport						
	<b>Strategic objective IV: Balanced territory development</b>						
	Balanced regional development	X	X	X	X	X	X
	Municipal development						
	Rural development						

## IIb Economic Growth Strategy of the Czech Republic (EGS)

The EGS was adopted by the Government on 16 November 2005. It sets the economic policy priorities and it recommends how to orient most effectively the financial sources from the government budget and from the Structural Funds of the EU. For that reason it is important that the operational programs for the years 2007 – 2013 comply with this strategy.

	EGS pillar	OPEI priority axes					
		PO1 Estab- lishment of firms	PO2 Deve- lopment of firms	PO3 Effective energy	PO4 Innova- tion	PO5 Envi- ronment for enterprise and inno- vation	PO6 Business develop- ment services
EGS	Institutional business environment	XXX	XXX		XXX	XXX	XXX
	Sources of financing	X	X	X	X	X	X
	Infrastructure			XXX		XX	
	Human resource development – education and employment					XX	
	Research, development and innovation	XX	XX		XXX	XX	X

The links between the OPEI and the EGS are most visible within the 1<sup>st</sup> (Institutional business environment) and 5<sup>th</sup> (Research, development, innovation) Pillars of the EGS; this applies to the majority of priority axes of the OPEI. Mediated links exist between all priority axes and the 2<sup>nd</sup> Pillar of the EGS “Sources of financing”.

A strong relation exists between the 3<sup>rd</sup> Pillar of the EGS “Infrastructure” in the context of increasing the share of renewable sources in power generation and heat production and also links to the Priority axis 5 of the OPEI – through the support of business infrastructure.

The 4<sup>th</sup> Pillar of the EGS “Human resources development – education and employment” is reflected mainly in Priority axis 5 of the OPEI through the support of the infrastructure for human resources development.

## **Iic Strategy for Regional Development of the Czech Republic (SRD)**

The SRD of the Czech Republic is a fundamental strategic document for the implementation of regional policy in the Czech Republic and a starting point for the orientation of the development programmes linked with the EU funds.

Due to its nature the OPEI is strongly linked with the PA 2: Economy of the regions. The relation is intensive in all OPEI priority axes (with the exception of PA 3) in the area of the support for the business environment, small and medium-sized enterprises, innovations, research and brownfield regeneration.

There is also a strong coherence between all OPEI priority axes and PA 8: Problematic territories. The relation of the OPEI priority axes to the SRD of the Czech Republic is visible mainly through the measure of the SRD: Increasing the economic performance of problematic territories.

In the area of energy savings the Priority axis 3 of the OPEI is related to PA 5: Nature, countryside and environment.

Some relation exists also between the OPEI Priority axis 3 and PA 3: “Population and settlement”. The relation through the educational services is evident.

	SRD priority axis	OPEI priority axes					
		PO1 Estab- lishment of firms	PO2 Deve- lopment of firms	PO3 Effective energy	PO4 Innova- tion	PO5 Envi- ronment for enterprise and inno- vation	PO6 Business develop- ment services
SRD ĆCR	PA 1: European and national economic strategic framework						
	PA 2: Economy of regions	XXX	XXX		XXX	XXX	XXX
	PA 3: Population and settlement					XX	
	PA 4: Infrastructure						
	PA 5: Nature, countryside and environment			XXX			
	PA 6: Tourism						
	PA 7: Culture						
	PA 8: Problematic territories	XX	XX	X	XX	XX	XX

#### 2.4.2 SYSTEM MECHANISMS FOR ACHIEVING SYNERGIC EFFECTS BETWEEN THE OP RDI AND THE OPEI

When formulating the National Development Plan and National Strategic Reference Framework, and in the subsequent preparation of the individual operational programmes, consideration was made for the fact that the Ministry of Education, Youth and Sports is responsible for the supply side of the innovation process and the Ministry of Industry and Trade is responsible for the demand side, because it represents the business community. The operational programmes of both ministries (OPEI under responsibility of the MIT and OP RDI under responsibility of the MEYS) comprehend the whole innovation process from R&D phase to market commercialization of the results.

The synergies of interventions which inter-penetrate and were identified in the preparation of the OPEI and OP RDI are addressed in an **Agreement between the Minister for Education, Youth and Sports and the Minister for Industry and Trade** concerning coordination mechanisms in the management and implementation of the Operational Programme Research and Development for Innovation and Operational Programme Enterprise and Innovation.

One of the principal aims of the two operational programmes, the OPEI and the OP RDI, is to provide for the creation of new advanced know-how in science and research and to transfer it to the commercial sphere. In order to maximize the use of these opportunities, the measures described below have been adopted.



## 1. Main areas of system interaction between the OPs and measures in support of the development of synergies

### Object of synergies:

The OP RDI is a system of aid programmes channelled to the academic sphere, universities, research institutes and other corporate bodies.

The OPEI will support measures for establishment of new innovative firms (Priority Axes 1 and 5 OPEI – link to Intervention Area 3.1 OP RDI), development of R&D capacities for firms and commercialization of outputs from R&D through individual firms (Priority Axis 4 OPEI – link to Intervention Areas 1.1 and 2.1 OP RDI).

There is a close linkage between the two operational programmes. Therefore it is necessary to focus the cooperation between the two operational programmes also on creation of a suitable environment for establishment and development of innovative business, cooperation platforms and support of infrastructure for industrial research, development, and innovation (Priority Axis 5 OPEI – link to Intervention Area 1.1, 2.1 and 3.1 OP RDI).

### Synergies:

Two types of synergies are taken into account in the operational programmes. The vertical and the horizontal synergy.

The vertical synergy within the individual operational programme will be generated through the identification and use of the measures by the commercial sphere. This type of synergy means that:

- a) the definition of measures, programmes, projects and individual calls for project proposals is created by the way of consultation with the commercial sphere and their representatives - the Chamber of Commerce, the Confederation of Industry and branch associations;
- b) this effect is maximized via necessary condition for approval of projects supported by the OP RDI. The projects must prove sustainable financial backing for the operational phase through cooperation with the private sector. This condition will be implemented in Priority Axes 1 and 2 of the OP RDI. As for the OPEI, this condition is automatically assured by the co-financing of all projects from the private sector.

The horizontal synergies between the two individual operational programmes will be particularly generated through the projects planned in parallel and the follow up projects. The horizontal synergies are specified in detail in tables under the point 3. of this chapter.

The horizontal synergies will be implemented within the two basic levels:

- a) ***“projects planned in parallel”*** established in the same period and referring to each other. The applicants are using the OP RDI and the OPEI at the same time, e.g. jointly prepared projects within the planned joint calls for proposals (area of intervention 5.1 of the OPEI and 3.1 of the OP RDI);
- b) ***“follow up projects”*** planned in a different period, i.e. projects submitted to the OPEI are linked to outputs from the OP RDI projects, in particular Priority Axes 1. European Centres of Excellence, 2. Regional R&D Centres, and 3. Commercialization, Popularization and Internationalization of R&D.

The horizontal synergy effects will be set, planned and monitored within the so called synergic projects.

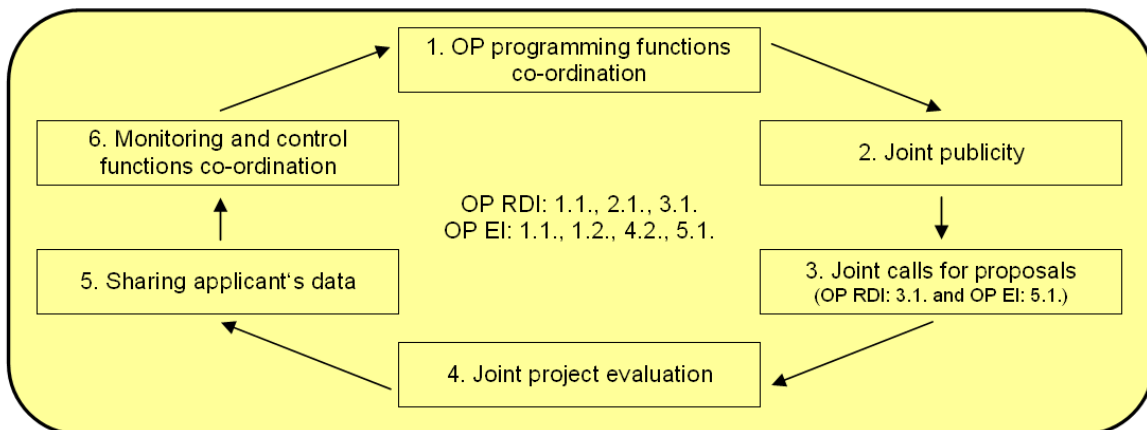
The following key measures will be used in order to achieve horizontal and vertical synergies:

**Measures of system synergies support:**

- **Synergic projects fitting the definition will be supported by bonus points** awarded in the assessment of project proposals within the OPEI or the OP RDI.
- A specific qualification criterion is introduced at the level of the OP RDI for Intervention Areas 1.1 European Centres of Excellence and 2.1 Regional R&D Centres. **With regard to the assessment of sustainability of the project outputs, the projects will be only approved if the beneficiaries prove that they have sustainable financial backing for the operational phase of a research institution through cooperation with the private sector to an extent defined in the call for project proposals (for ex. partnership agreement, agreement on future agreement).** This condition will be implemented in Priority Axes 1 and 2 of the OP RDI. Projects envisaging financing of the operational phase from national resources only, will be disqualified.
- Calls for proposals contributing to the achievement of specific targets of Priority Axes 1 and 2 and Intervention Area 3.1 of the OP RDI will be specified on the basis of proven interest of trade associations (Chamber of Commerce of the Czech Republic, Confederation of Industry of the Czech Republic, key entrepreneurs representatives, etc.).

**2. Institutional coordination between OPEI and OP RDI**

The joint programme coordination of projects will be essential in order to ensure the synergies. The scheme below shows the programme coordination in the key Priority Axes and Intervention Areas of the OP RDI and the OPEI within the 6 joint activities at the level of the Managing Authorities and both ministries (the MIT and the MEYS).



The institutional coordination proceeds from the mandate given by the National Strategic Reference Framework (NSRF) of the Czech Republic (Chapter 11 “Management and Coordination of the Economic and Social Cohesion Policy”) which establishes the Coordination Committee Competitive Czech Economy. This Committee will report to the Monitoring Committee of the NSRF (i.e. Management and Coordination Committee). The Research and Development Council of the Czech Republic’s Government will be also represented in the Committee.

The Committee will, in particular, monitor and evaluate the process of achievement of the horizontal and vertical synergies agreed in accordance with obligations stated in the NSRF and in this document. The Committee will also coordinate the national co-financing part of the OP RDI and the fulfilment of following obligations:

**a) Coordination at the level of Monitoring Committees**

According to the obligation at the level of the NSRF calls, project qualification criteria and indicators of the OPEI and the OP RDI in the Intervention Areas between which synergy arises will be approved by both Monitoring Committees. The private sector will be represented in the Monitoring Committees. In order to better follow the synergic projects, specific reporting will be provided at the level of the Monitoring Committees and annual reports.

**b) Coordination at the level of Evaluation Committees**

According to the obligation at the level of the NSRF members of the Evaluation Committees evaluating the OPEI and the OP RDI projects in the Intervention Areas between which synergy arises will be approved by the two Managing Authorities. The chairperson of the Evaluation Committee will be appointed by the Managing Authority within whose purview the relevant Intervention Area falls.

**c) Coordination at the level of external evaluators of projects**

The evaluation of the OPEI and the OP RDI projects in the Intervention Areas between which synergy arises will use a joint database of external evaluators approved by both Managing Authorities.

**d) Coordination of calls for project proposals, joint call for project proposals**

A call for project proposal made at the level of the OP RDI will be preceded by discussion of relevant partners (Chamber of Commerce of the Czech Republic, Confederation of Industry of the Czech Republic, representatives of enterprises, universities, R&D institutes, etc.) led by the Coordination Committee Competitive Czech Economy. The output from this discussion will be a definition of the calls so that they meet, as much as possible, the priorities of applied research, development and innovation in technical and natural disciplines which are an input qualification criterion in the OP RDI, taking into account demands from representatives of the private sector.

Joint calls for project proposals will be made in the Intervention Areas 5.1 OP EI and 3.1 OP RDI in the field of R&D and private sector cooperation. Projects in joint calls for project proposals will be evaluated by external evaluators from a common database by a common Evaluation Committee, whose members, including the chairperson, will be approved by both Managing Authorities.

***e) Supportive measures***

- Projects of technical assistance providing information on support for synergic projects and creation of analytical data for synergic projects;
- Sharing of data on applicants and projects.

### 3. Intervention areas producing the horizontal synergies between the OPEI and the OP RDI<sup>3</sup>

Intervention Area of the OP EI	Intervention Area of the OP RDI
<b>Support for establishment of innovation start-ups</b>	
<p>1.1 – Support of starting entrepreneurs                      1.2 – Use of new financial instruments                      5.1 – Cooperation platforms</p>	<p>3.1 – Commercialization of results of research organizations and protection of their intellectual rights</p>
<div style="background-color: #ffff00; padding: 10px; border: 1px solid black;"> <ul style="list-style-type: none"> <li>Bonification points for OPEI projects</li> <li>Identification of call for proposals aims</li> <li>Approval of calls, selecting criteria and indicators by the both MCs</li> <li>Joint Evaluation Committees (5.1 OPEI a 3.1 OPRDI)</li> <li>Joint database of external evaluators (5.1 OPEI a 3.1 OPRDI)</li> <li>Joint publicity and analysis</li> <li>Sharing of data on applicants and projects (5.1 OPEI a 3.1 OPRDI)</li> </ul> </div>	
<p><b>Intervention Area: 1.1</b>  <b>Objective:</b> encourage and support the activities of first time and returning entrepreneurs  <b>Form of support:</b> interest-free loan, preferential guarantee with financial subsidy  <b>Type of projects:</b> purchase of machines and facilities into the leased real estates and start-up purchase of stock; reconstruction of premises, machines and facilities refilling  <b>Beneficiaries:</b> SMEs  <b>Bonification points:</b> given only in case of proven synergy with OP RDI projects.</p> <p><b>Part of the Intervention Area: 5.1</b>  <b>Objective:</b> increase quality and extend infrastructure for innovative business  <b>Form of support:</b> subsidy  <b>Type of projects:</b> establishment and development of business incubators, business innovation centres (BIC), scientific and technological parks and Business Angels networks  <b>Beneficiaries:</b> SMEs, large companies, non-profit organizations (associations of legal entities, beneficiary associations), universities and R&amp;D institutes – not as independent entities but as joint applicants in case of establishment of a new legal entity, regions, towns and municipalities  <b>Bonification points:</b> given only in case of proven synergy with OP RDI projects.  <b>Note:</b> OPEI focuses on the phase after a firm is established</p>	<p><b>Part of the Intervention Area: 3.1</b>  <b>Objective:</b> support of new ideas, resp. R&amp;D results which have proven potential for being brought to the phase of commercialization in areas previously approved by the Coordination Committee Competitive Czech Economy. The areas will be specified in the relevant call for proposals.  <b>Form of support:</b> subsidy  <b>Type of projects:</b> pre-seed fund set up for researchers and students to finance completion of development of a product or service before a firm is set up. This will comprise costs of consulting (patent, legal, accounting, economic) costs of protection of intellectual property, costs of services to complete R&amp;D, wage costs of project  <b>Beneficiaries:</b> universities and R&amp;D institutes, non-profit organizations, corporate bodies that fall within the Community Framework for the state support of research, development and innovations established by these institutions  <b>Note:</b> OP R&amp;DI focuses on the phase before a firm is established. The selection of ideas will take into account demands from the business sphere, including representatives of the Chamber of Commerce and Confederation of Industry.</p>

<sup>3</sup> Applicable to OP RDI version of 17/9/2007, in accordance with the changes approved by MC OPEI 4/11/2009.

Intervention Area of the OP EI	Intervention Area of the OP RDI
<b>Support for development of R&amp;D capacities</b>	
<p><b>4.2 – Capacities for industrial research and development</b></p>	<p><b>1.1 – European Centres of Excellence</b> <b>2.1 – Regional R&amp;D Centres</b></p>
<ul style="list-style-type: none"> <li>Bonification points for OP EI projects</li> <li>Identification of call for proposals aims</li> <li>Approval of calls, selecting criteria and indicators by the both MCs</li> <li>Joint Evaluation Committees</li> <li>Joint database of external evaluators</li> <li>Joint publicity and analysis</li> <li>Sharing of data on applicants and projects</li> </ul>	
<p><i><b>Intervention Area: 4.2</b></i></p> <p><b>Objective:</b> increase research and development capacities of enterprises, support of creation of new jobs demanding skilled labour force</p> <p><b>Form of support:</b> subsidy</p> <p><b>Type of projects:</b> purchase of land, buildings, machines, facilities and equipment necessary to run industrial research centres</p> <p><b>Beneficiaries:</b> SMEs, large companies</p> <p><b>Bonification points:</b> given only in case of proven synergy with OP RDI projects.</p>	<p><i><b>Part of the Intervention Area: 1.1</b></i></p> <p><b>Objective:</b> build a limited number of centres of excellence with state-of-the-art equipment (in material and personnel terms), so that they can produce a significant quantity of know-how that can be used in enterprises and their groupings</p> <p><b>Form of support:</b> subsidy</p> <p><b>Type of projects:</b> reconstruction and expansion of R&amp;D capacities and economically justified construction of new capacities, acquisition of laboratory and information equipment, including training in the use of new equipment and methods</p> <p><b>Beneficiaries:</b> universities and R&amp;D institutes, non-profit organizations, corporate bodies established by these institutions that fall within the Community Framework for the state support of research, development and innovations</p> <p><b>Eligibility criterion:</b> contractual agreement between the applicant and the commercial sphere on co-financing operational project costs</p> <p><i><b>Part of the Intervention Area: 2.1</b></i></p> <p><b>Objective:</b> building a network of advanced regional R&amp;D establishments concentrating on applied and industrial research and strengthening their collaboration with the application sphere (enterprises, hospitals)</p> <p><b>Form of support:</b> subsidy</p> <p><b>Type of projects:</b> dtto Intervention Area 1.1</p> <p><b>Beneficiaries:</b> dtto Intervention Area 1.1</p> <p><b>Eligibility criterion:</b> contractual agreement between the applicant and the commercial sphere on co-financing operational project costs</p> <p><b>Note:</b> The selection of projects will take into account demands from the business sphere, including representatives of the Chamber of Commerce and Confederation of Industry. This condition will be implemented in Priority Axes 1 and 2 of the OP RDI.</p>



Intervention Area of the OP EI	Intervention Area of the OP RDI
<b>Cooperation of enterprises with science and research sphere</b>	
<p><b>5.1 – Cooperation platforms</b></p> <div style="border: 1px solid black; background-color: #ffff00; padding: 10px; margin: 10px 0;"> <ul style="list-style-type: none"> <li>Bonification points for OP EI projects</li> <li>Identification of call for proposals aims</li> <li>Joint call for project proposals (5.1 OPEI a 3.1 OPRDI)</li> <li>Approval of calls, selecting criteria and indicators by the both MCs</li> <li>Joint Evaluation Committees</li> <li>Joint database of external evaluators</li> <li>Joint publicity and analysis</li> <li>Sharing of data on applicants and projects</li> </ul> </div> <p><b>Part of the Intervention Area: 5.1</b>  <b>Objective:</b> create infrastructure for cooperation of enterprises, scientific, research and educational institutes and the communal sphere at the regional and supra-regional level and international cooperation of new and existing groupings  <b>Form of support:</b> subsidy  <b>Type of projects:</b> identification, establishment and development of clusters (for ex.: joint purchase and use of facilities, joint workshops, seminars or marketing presentations) and technological platforms (joint research agenda elaboration and implementation)  <b>Beneficiaries:</b> SMEs, non-profit organizations (associations of legal entities, beneficiary associations), universities and R&amp;D institutes – not as independent entities but as joint applicants in case of establishment of a new legal entity, regions, towns and municipalities  <b>Bonification points:</b> given only in case of proven synergy with OP RDI projects.</p>	<p><b>1.1 – European Centres of Excellence</b>  <b>2.1 – Regional R&amp;D centres</b>  <b>3.1 – Commercialization of results of research organizations and protection of their intellectual rights</b></p> <p><b>Part of the Intervention Area: 1.1</b>  <b>Objective:</b> building of Centres of Excellence will serve as knowledge bases for clusters or other groupings  <b>Form of support:</b> subsidy  <b>Type of projects:</b> participation of clusters or other groupings through contract research purchased by firms on market terms  <b>Beneficiaries:</b> universities and R&amp;D institutes, non-profit organizations, corporate bodies established by these institutions that fall within the Community Framework for the state support of research, development and innovations  <b>Eligibility criterion:</b> contractual agreement between the applicant and the commercial sphere on co-financing operational project costs</p> <p><b>Part of the Intervention Area: 2.1</b>  <b>Objective:</b> building of R&amp;D capacities in relevant disciplines and regions  <b>Form of support:</b> subsidy  <b>Type of projects:</b> primary goal of the project in this intervention area is not a participation in technological platform or cluster, but participation in cooperation with the industrial sector  <b>Beneficiaries:</b> dtto Intervention Area 1.1  <b>Eligibility criterion:</b> contractual agreement between the applicant and the commercial sphere on co-financing operational project costs</p> <p><b>Part of the Intervention Area: 3.1</b>  <b>Objective:</b> support of new ideas, resp. R&amp;D results which have proven potential for being brought to the</p>

Intervention Area of the OP EI	Intervention Area of the OP RDI
	<p>phase of commercialization in areas previously approved by the Coordination Committee Competitive Czech Economy. The areas will be specified in the relevant call for proposals.</p> <p><b>Form of support:</b> subsidy</p> <p><b>Type of projects:</b> supplementary activities to achieve the operational goals of this intervention area, such as costs of networking with the application sphere</p> <p><b>Beneficiaries:</b> dtto Intervention Area 1.1</p>
<b>Transfer of know-how and technologies</b>	
<p><b>5.1 – Cooperation platforms</b></p> <div data-bbox="384 696 1174 954" style="background-color: yellow; border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> <li>• Bonification points for OP EI projects</li> <li>• Identification of call for proposals aims</li> <li>• Approval of calls, selecting criteria and indicators by the both MCs</li> <li>• Joint Evaluation Committees</li> <li>• Joint database of external evaluators</li> <li>• Joint publicity and analysis</li> <li>• Sharing of data on applicants and projects</li> </ul> </div> <p><i>Part of the Intervention Area: 5.1</i></p> <p><b>Objective:</b> increase quality and extend of infrastructure for innovative business with emphasis on transfer of know-how and technologies and support of direct links between research institutes and the business sphere</p> <p><b>Form of support:</b> subsidy</p> <p><b>Type of projects:</b> establishment and development of technology transfer centres, business incubators, business innovation centres (BIC), scientific and technological parks and Business Angels networks - The aid will be mainly directed at activities linked to the manufacturing industry</p> <p><b>Beneficiaries:</b> SMEs, large companies, non-profit organizations (associations of legal entities, beneficiary associations), universities and R&amp;D institutes – not as independent entities but as joint applicants in case of establishment of a new legal entity, regions, towns and municipalities</p> <p><b>Bonification points:</b> given only in case of proven synergy with OP RDI projects.</p>	<p><b>3.1 – Commercialization of results of research organizations and protection of their intellectual rights</b></p> <p><i>Part of the Intervention Area: 3.1</i></p> <p><b>Objective:</b> support of new ideas, resp. R&amp;D results which have proven potential for being brought to the phase of commercialization in areas previously approved by the Coordination Committee Competitive Czech Economy, with emphasis on technological transfers on the national and international level. The areas will be specified in the relevant call for proposals.</p> <p><b>Form of support:</b> subsidy</p> <p><b>Type of projects:</b> advisory work in protection of intellectual property, technological audit, cooperation exchanges, technological exchanges, technology watch, databases of partners for technological development, participation in trade fairs, conferences and seminars, and assistance with raising funds for establishment and development of new technological firms - the aid will be directed at activities that do not come under the definition of OPEI, such as health care, transport, telecommunications, energy sector, etc.</p> <p><b>Beneficiaries:</b> universities and R&amp;D institutes as independent entities</p>

Intervention Area of the OP EI	Intervention Area of the OP RDI
<b>Implementation of corporate innovation projects</b>	
<p><b>4.1 – Increasing the innovative performance of firms</b></p> <div data-bbox="572 378 1032 553" style="border: 1px solid black; background-color: yellow; padding: 5px; margin: 10px auto; width: fit-content;"> <ul style="list-style-type: none"> <li>Bonification points for OP EI projects</li> <li>Identification of call for proposals aims</li> </ul> </div> <p><i>Intervention Area: 4.1</i>  <b>Objective:</b> stimulate innovative activities of enterprises  <b>Form of support:</b> subsidy  <b>Type of projects:</b> product and process innovation, organizational and marketing innovation  <b>Beneficiaries:</b> SMEs, large companies  <b>Bonification points:</b> given only in case of proven synergy with OP RDI projects.</p>	<p><b>1.2 – European Centres of Excellence</b> <b>2.1 – Regional R&amp;D centres</b></p> <p>Project OP EI from Intervention Area 4.1 will be linked to different Intervention Areas OP RDI, and results of activities of European Centres of Excellence and Regional R&amp;D centres.</p> <p><b>Eligibility criterion:</b> contractual agreement between the applicant and the commercial sphere on co-financing operational project costs</p>

### **2.4.3 COHERENCE WITH OTHER NATIONAL PROGRAMMING DOCUMENTS**

#### **1. Relations and synergies of the OPEI with priority axes of the OP Environment (under the responsibility of the MoE)**

The negotiations regarding potential overlaps between the Operational Programme Enterprise and Innovation and the Operational Programme Environment concentrated on the issue of renewable and secondary sources of energy. The distribution of responsibilities between the OPEI and the OP Environment, regarding the support, has been specified in an agreement between the two ministries, which defined the beneficiaries under the OPEI and the OP Environment in areas of support and use of RSE; support for the improvement of air quality and the reduction of emissions; systems of centrally supplied heat; and energy savings. The details shall be included in calls announced under area of intervention 3.1 of the OPEI “Energy savings and renewable energy sources”.

#### **2. Relations and synergies of the OPEI with priority axes of the ROPs (under the responsibility of Regional Councils in cohesion regions, NUTS II)**

Negotiations regarding the relationships and possible overlaps between the OPEI and the ROPs focused on the areas of enterprise, innovation, services and programmes for the reconstruction of the regions. The distribution of responsibilities between the OPEI and the ROPs has been agreed on the level of deputy Minister of Industry and Trade, the governor of the Zlín region (empowered by the Council of the Association of Regions of the Czech Republic regarding the process of preparations, realisation and mutual coordination of regional operational programmes) and CzechInvest. The OPEI will support the regeneration of brownfields, whose prevailing future use will be for enterprise (the future use of the real properties shall fall under SCEA 15-37, or will concern the strategic services or serve as technological centres), ROPs will support the regeneration of all other brownfields, apart from future agricultural use. The division of support between the OPEI and ROPs shall be respected when detailing branch definitions of supported activities that will be part of calls announced under relevant OPEI areas of intervention. The OPEI will primarily support business activities in manufacturing and related services (for each of the 15 OPEI schemes, the supported branches due to the SCEA - Sectoral Classification of Economic Activities, OKEČ - are precisely defined). Conversely, ROPs will support activities whose support is more effective at regional level rather than support from a central level (e.g. the local services of sole traders in the fields of transport, tourism and services). The cleanup of serious old environmental hazards will be addressed by the OPEI; less serious instances of contamination may be tackled in the OPEI and ROPs, based on the standpoint held by the Ministry of the Environment.

#### **3. Relations and synergies of the OPEI with the programme document of the MoA – the Rural Development Programme for the period 2007 - 2013**

The negotiations regarding possible overlaps between the OPEI and the Rural Development Programme (RDP) concerned the processing of biomass for energy purposes and support for non-agricultural production in rural regions. In compliance with the NSRF of the Czech Republic for the period 2007 – 2013 (Chapter 9 “The focus of the economic and social cohesion policy and its relation to the agricultural policy for rural development), the demarcation in the area concerned is as follows:

1. As far as the support of biomass processing is concerned, the distribution of responsibilities between the MIT and the MoA, and the definition of support beneficiaries, has been agreed upon in writing. The RDP will exclusively support, through its measures, investments related to the processing of biomass. The OPEI will also promote investments connected with biomass processing in cases where the applicant is a business whose main activity is not classified in the fields of agriculture. The RDP will, in its programmes focused on investments into RES, provide support to natural and legal persons engaged in agricultural production, in line with par. 2 (e) of Act No. 252/1997 Coll., on Agriculture, as amended. The OPEI, on the other hand, will support business entities other than those defined by the Act on Agriculture (focusing in particular on the manufacturing sectors and related business services), as well as municipalities (or associations of municipalities).

2. Assistance for non-agricultural activities in rural areas is laid down in the 2007 – 2013 Rural Development Programme of the Czech Republic, where (in relation to the OPEI) support is available (in the form of subsidies) to municipalities with up to 2,000 inhabitants and for activities relating to the establishment and development of existing non-agricultural enterprises in the smallest size category – micro-enterprises, including new trades in the fields of production, processing and services (with no sectoral restrictions), especially in the field of trades and services for the economy and rural population, with a view to creating jobs and developing a rich economic structure of non-agricultural activities in rural areas.

The food industry will be dealt with in line with Annex I to the EC Treaty. Products listed in Annex I to the Treaty will be supported from the RDP level, while products not listed in Annex I to the Treaty through the OPEI interventions. The RDP will support natural and legal persons engaged in business in agricultural production under the Act on Agriculture, while the OPEI will support business entities other than those defined by the Act on Agriculture, as well as municipalities (or associations of municipalities).

The OPEI will support, through its “Development” support programme, investments into the acquisition of new technological equipment with higher technical and utility parameters, or the implementation of projects increasing the efficiency of processes (apart from the products listed in Annex I to the Treaty). Support will be provided to small and medium-sized enterprises (under Annex I of European Commission Regulation No. 70/2001) in municipalities of up to 2,000 inhabitants, in areas with concentrated support from the State (in line with the Czech Government Resolutions No. 560/2006 and 829/2006) and in regions with higher unemployment rate.

The RDP will, through Measure III.1.2 “Support for the Establishment of Companies and Their Development”, support the establishment and development of non-agricultural micro-enterprises (especially in the area of crafts and services), with the aim of creating new jobs and developing the economic structure of non-agricultural activities. Support will be provided to non-agricultural enterprises of the smallest size (micro-enterprises employing fewer than 10 employees, as defined in the Commission Recommendation No. 2003/361/EC) in municipalities of up to 2,000 inhabitants.

In the case of brownfields type buildings and real properties, the RDP will deal with projects for the regeneration of brownfields with a future use in agriculture and processing under Annex I to the EC Treaty, while the MIT Operational Programme will deal with the regeneration of brownfields with a future use for industrial purposes.

#### **4. Relations and synergies of the OPEI with priority axes of the OP HRE (under the responsibility of the MoLSA)**

The Operational Programme Enterprise and Innovation creates an environment for mutual collaboration in the use of European Social Fund resources through the OP Human Resources and Employment which is oriented to human resources development in industry (in the context of R&D) and services.

In connection with the objectives of the Czech Republic, which reflect the fundamental strategy of the European Union, one of the key areas of further development is universal development of human resources – not only in primary, secondary and tertiary education but also in further education. The aim is to help employees increase their qualifications and extend their knowledge and skills, flexibility and adaptability to address the changing conditions on the labour market that result from increasing productivity and improvement of the organisation of the work, implementation of new technologies, research and development, innovation and also expanding opportunities for international cooperation and trade.

Therefore in addition to the support of the infrastructure for human resources development it is necessary to increase the focus on further education of the people already in work and thus enable their professional growth and remove the risk of unemployment due to insufficient knowledge and qualifications. The above areas come under the activities of the European Social Fund. The support needs of the industry and enterprise sector will be realised in its framework.

The principal activities to be supported are as follows:

- Development of modern forms of human resources management and development in the business sector;
- Creating the infrastructure in the area linked to the implementation of the standard “Investors in People” in the Czech Republic as a tool for increasing the performance and competitiveness of companies;
- Support for collaboration between educational institutions and enterprises in the area of initial, tertiary and further education particularly in terms of meeting the real needs of the enterprise sector;
- Support for further education of employees in enterprises - both general education (improvement of the knowledge of languages, general ICT literacy, marketing knowledge, implementation of quality standards, safety at work etc.) and specific education (increase of specific professional knowledge and skills with regard to the implementation of new technologies, technical and non-technical innovations, specific language knowledge, specific knowledge in ICT, managerial skills, knowledge in marketing, quality and testing engineering etc.)

The activities above are in the competence of the European Social Fund and are managed under the Operational Programme Human Resources and Employment (OP HRE) by the Ministry of Labour and Social Affairs. The Ministry of Industry and Trade, as the ministry responsible for the competitiveness and development of enterprise in industry in the Czech Republic, considers it its priority to support the fundamental condition leading to the fulfilment of this goal, i.e., ensuring a qualified labour-force able to adapt to changes in



technological and other conditions. The MIT has been working on a long-term basis on the specific education of the employees of business entities, and it expects to carry on in those activities. In the 2004 – 2006 programming period, the specific training needs of businesses were supported in the Professions scheme, coordinated by the Ministry of Labour and Social Affairs. In this scheme, the Ministry of Industry and Trade was the final beneficiary of ESF resources, and the agency CzechInvest contributed to its implementation. Separately, CzechInvest implemented a scheme for the Ministry of Labour and Social Affairs to phase in the standard ‘Investors in People’ (IIP) within Priority axis 4.1 of the OP Human Resources Development . A total of 286 projects received assistance under the Professions scheme. In the Investors in People (IIP) scheme, 25 projects have been supported to date.

In the 2007 – 2013 programming period, specifically following up on Priority axis 1 (Adaptability) of the Operational Programme Human Resources and Employment, the implementation principle will be similar. The Ministry of Industry and Trade, in cooperation with CzechInvest, will run supra-regional grant schemes focusing on further specific training of employees of business entities. Following up on the building of infrastructure for human resources development (area of intervention 5.2. of the OPEI) a global grant focused on education of employees of business entities was included within the OP Human Resources and Employment under Priority axis 1, within the area of intervention 1.1 "Increasing adaptability of the labour force and competitiveness of enterprises". The supported activities of specific education must be geared in particular towards the manufacturing industry and services for the manufacturing industry (such as e.g. technical tests and analyses) and also towards the energy industry, the construction industry, information and communication technologies, research and development, cross-sectional industries (e.g. biotechnology, nanotechnology, optoelectronics, etc.) and other engineering activities supporting indirectly the above sectors. The global grant follows up on the current activities of the MIT in the OP Human Resources Development, the Professions scheme.

An allocation of approximately 10% of the resources earmarked for this priority axis is envisaged for these activities within the scope of the area of intervention 1.1 of the OPHRE. Apart from the Ministry of Industry and Trade, the individual regions of the Czech Republic will also be prominent beneficiaries of aid intended for businesses in the field of human resources development. Their activities will centre on small and medium-sized enterprises of a local character. It is also expected that individual projects of the Ministry of Industry and Trade will be implemented – again in cooperation with CzechInvest – under the area of intervention 1.2 of the OP HRE that focus on the implementation of systems for the quality of the management of human resources development at businesses and institutions for adult education (a continuation of the IIP scheme) and on the support of consultancy geared towards particular areas of human resources management and development, enabling undertakings to draw up their own strategy of human resources development. Support is also envisaged for projects focusing on partnerships and cooperation platforms between training institutions – especially in the field of secondary technical education and the business community, which would result on one hand in the promotion of the technical education and on the other and would enable specialized supplementary training addressing the specific needs of businesses in a particular locality. The experience gained from the 2004 – 2006 programming period will therefore be put to use in the current 2007 – 2013 period. The division of support between the OPEI and the OP HRE shall be respected when detailing

branch definitions of supported activities that will be part of calls announced under relevant OPEI areas of intervention.

## **2.5 Horizontal objectives of the Community**

An integrating function of horizontal themes results from the cross-sectional character of the policies and measures supporting equal opportunities (gender equality, removing discrimination of all kinds), permanently sustainable growth, transfer to the information society and balanced development of the regions. The areas of intervention defined in the Operational Programme Enterprise and Innovation and the interventions made in their respect, reflect the horizontal themes and contribute, in line with their focus and possibilities to the provision of assistance to the achievement of these horizontal objectives.

### **2.5.1 EQUAL OPPORTUNITIES**

The issue of equal opportunities has been projected to the realisation of those specific objectives and areas where there is a potential risk of discrimination in terms of gender, age, race, health conditions or religion. The issue plays a key role in the fulfilment of the active employment policy objectives when resolving the balance of supply and demand in the labour market and preventing unemployment of the persons in danger of unemployment and while securing equal opportunities for both women and men on the labour market. The current problems of inserting females into economic activities reflect not only the traditional reluctance of employers to meet females' needs regarding the harmonisation of their professional career with the care for children but also the disadvantageous position of females in achieving managerial and decision making positions and in their levels of remuneration.

In the area of enterprise support the issue of equal opportunities appears in the context of the activation of the incentives for the transfer to the knowledge economy where a change in the attitude of all subjects to lifelong learning is necessary and higher support of educational programmes that address the needs of specific groups of inhabitants on the labour market and to support the participation of females in enterprise particularly among SMEs.

Relevant priority axes / areas of intervention of the OPEI reflect the horizontal theme of equal opportunities in the selection criteria of individual sub-programmes of support.

The obligation to respect equal opportunities as one of the EU horizontal priorities is laid down in the specification of conditions for the provision of assistance within the scope of individual support sub-programmes. The actual application for assistance contains a part on the horizontal indicators of the submitted project. Therefore, even at this early stage the applicant for assistance/project must assess and describe, in the relevant part of the application, the project's impact on equal opportunities, i.e. determine whether the project focuses primarily on the promotion of equal opportunities, whether it has a positive effect on equal opportunities, or whether it is neutral from the perspective of equal opportunities. The reflection of equal opportunities in a project is then a subject to the project evaluation by the evaluation committees. Indicators at the level of the programme and priority axes directly linked to respect for equal opportunities (e.g. number of new jobs created) will be monitored for their distribution of men and women. The Operational Programme Enterprise and Innovation, given its core focus (to increase the competitiveness of undertakings, especially SMEs), does not have any special schemes for women or ethnic minorities; this area is

covered by other operational programmes that primarily draw the resources from the European Social Fund.

## 2.5.2 SUSTAINABLE DEVELOPMENT

The implementation of the strategy for sustainable economic growth is reflected in the following hierarchy of objectives:

- The general objective is to create conditions for economic growth that would secure - with minimum impact on the environment – both the relevant quality of life for the present generation and the perspective of quality life for future generations;
- strategic objectives:
  - achieve the stability of the economy of the Czech Republic and its resistance against outer negative influence;
  - create conditions for enterprise with minimum burden for the environment;
  - create conditions for a flexible knowledge and skills based economy and for increasing the competitiveness of the economy.

In the area of improving the business environment achieving the objectives of sustainable development is supported by a number of component measures that include the creation of long term legislative and economic conditions for the prosperity of small and medium-sized enterprises, reducing administrative barriers to establishing, operating and winding up a firm, reducing the total tax burden of the enterprise, effective reduction of secondary labour costs and allocation of public budgets' expenditures to the areas with positive leverage effects. Enhancing the environment for speeding up the transition to the knowledge economy through the support of knowledge and technology transfer, reducing the tax burden on research and development and maximising the use of human capital and outputs of innovative activities with the aim of increasing activities with high added value and with high utilisation of the value of energy and material inputs and support of the best accessible technologies (BAT) – all these measures are directly related to the competitiveness.

Ecological issues affect economic subjects both directly and indirectly. The limitation of natural resources increasingly requires a new orientation of enterprises in the mining and manufacturing sectors. It is demonstrated by the fact that management is interested to achieve a relevant ecological effectiveness of the activities performed by them and also in behaving with social responsibility. Through a number of instruments of environmental protection society creates a certain framework in which the enterprises are permitted to operate as long as they want to maintain long term prosperity. Thus the conformity of the enterprise's behaviour with non-economic social values becomes a condition of long-term survival of the enterprise.

For enterprises environmental protection becomes more and more a strategic competitive issue and represents a tool not only for securing existing but also for acquiring new potential for making profit and promoting the enterprise. Resolving the issues of environmental protection is not perceived by the enterprises as a factor limiting the growth but rather as a condition of growth.

Usually respecting ecological aspects in the entrepreneurial strategy can contribute to achieving a competitive advantage if:

- increasing competitiveness respecting environmental protection a policy respected across all functions of the firm,
- measures within the firm are linked with measures oriented to the market,
- by addressing environmental protection issues early the firm acquires a time advantage in comparison with its competitors.

Practical experience with the implementation of the elements of environmental management in the general system of management of the firms shows a number of positive consequences for the improvement of overall competitive position of the firms. The number of firms starting the process of implementation or improving their system of environmental management is dynamically growing. According to the data on certified/verified systems of EMS in the firms in the Czech Republic in September 2005 the total of 990 firms were registered as holders of EMS certificate according to ISO 14 001 and 18 firms according to EMAS. In spite of these results the share of these firms in the total number of firms in the Czech Republic must be qualified as low. Environmental managerial accounting belongs to one the most important tools of building and operating environmental management systems. By its use important information on environmental aspects of entrepreneurial activities of the enterprise can be incorporated into the decision making processes.

The application of a cooperative strategy is very effective in connection with the implementation of ecologically innovative products. The reason is the elimination of the market risk and therefore this form is preferred by defensively and selectively oriented firms. Environmental protection issues are going to increasingly affect the competitiveness of the firm in the future. In the future the following development can be expected:

- firms will be exposed to an increasing pressure by the competitors and to an increasing requirement to adapt;
- frequent and unexpected new dangers and fluctuations will occur in the market to which the firms will have to respond quickly as to retain their prosperity and existence;
- customers will become the decisive factor on the market,
- the purpose and position of the firms will change radically – certainly their main task will continue to be an optimum increase of the value of the firm and reaching appropriate rate of profit but respecting the principles of environmental protection and sustainable growth will become increasingly important.

At the national level the fundamental document dealing with the issues of sustainable development in the Czech Republic is the Strategy of Sustainable Growth of the Czech Republic.

Relevant priority axes / areas of intervention of the OPEI reflects the horizontal theme of sustainable development in the selection criteria of individual sub-programmes.

As with equal opportunities, in the case of sustainable development there is also an obligation to respect this horizontal priority in the specification of conditions for the provision of assistance within the scope of individual support sub-programmes. The actual application for assistance contains a part on the horizontal indicators of the submitted project. Therefore, even at this early stage the applicant for assistance/project must assess and describe, in the relevant part of the application, the project's impact on sustainable development, i.e.

determine whether the project focuses primarily on the promotion of sustainable development, whether it has a positive effect on sustainable development, or whether it is neutral from the perspective of sustainable development. The reflection of this horizontal objective in a project is also a subject of project evaluation by the evaluation committees.

### **2.5.3 INFORMATION SOCIETY**

There are two decisive factors in the transition to knowledge economy and information society: human capital quality and creation, dissemination and implementation of technological, organisational and institutional innovations. The processes of intensification of innovation activities proceeds across economic sectors and branches. Knowledge management activates the relations between marketing, research and production and changes the ways of internal functioning of organisations.

A fundamental component in these processes is that of the information infrastructure due to increasing flexibility of labour force, supporting creating, development and success of business plans and it also contributes to higher accessibility of the goods, services and information.

In the realisation of the steps oriented to the transition to knowledge economy and information society the Czech Republic in comparison with other countries is only in its early stage. The key issues are:

- low effectiveness of the programmes oriented to lifelong learning where in addition to insufficient offer of educational activities also a low motivation for further education plays a negative role – both on the side of employees and on the side of employers;
- insufficient degree of development of the infrastructure of consulting and information services;
- low development of the programmes oriented to ICT implementation in small and medium-sized enterprises and in the whole sector of services;
- insufficiently motivating environment facilitating commercial applications of research and development projects;
- unfavourable qualification structure of the workers in research and development and lacking interlinking of the development of tertiary education with the needs of the sector.

In the area of professional education it is most important to create the conditions for establishing a system of verification of qualifications acquired in further professional education with the use of accreditations and certifications related to initial education and to reach a higher coordination of this education with prospective needs of the enterprises on the labour market.

### **2.5.4 BALANCED REGIONAL DEVELOPMENT**

The realisation of the horizontal objective of a balanced regional development represents an increase of the competitiveness of the economy of all regions. The objective of this effort is to ensure that in the long run balanced development brings advantages to all regions. Balanced regional development and reducing regional disparities represent one of the main conditions for internal cohesion. The fundamental document at the national level which should be



respected when applying the horizontal objective oriented to balanced development of the regions is the Strategy of the Regional Development of the Czech Republic for the years 2007-2013 (besides other things it specifies regions with concentrated state support such as structurally affected regions, economically weak regions and regions with above average unemployment).

The most important problem of the Czech Republic is the existence of structurally affected regions with negative attributes of industrial restructuring where necessary structural changes have not been successfully realised with sufficient speed and effectiveness. A consequence is even more affected environment and high unemployment rate in such regions, above the national average. High unemployment rate shows unfavourable structure with significant share of long-term unemployment namely in the cohesion regions of North-West (Ustecky region) and of Moravia – Silesia. Support provided within the OPEI will be directed to all regions while special attention will be paid to structurally affected regions and regions with higher unemployment rate.

A balanced regional development and reducing disparities is one of the specific objectives of the National Development Plan. In order to achieve this objective it is necessary that the ministries within the responsibility for their sectors analyse the regional differences and that the relevant priority axes of operational programmes in selected regions are awarded bonuses of different intensity. As long as the objective is to reduce undesirable regional disparities then some priorities of operational programmes or their strength or orientation must be accordingly differentiated in favour of the affected regions.

In relation to the Strategy of Regional Development of the Czech Republic for the years 2007-2013, the attention of the OPEI will be focused on achieving appropriate regional convergence and overall economic growth of the regions of the Czech Republic (regions specified in the Resolution of the Government of the Czech Republic No 560/2006 and possibly further specified regions). The OPEI is oriented to a number of activities with the emphasis on the regional aspect. A considerable regional dimension is also an important feature of the support for cooperating enterprises and other relevant subjects in the regions (clusters), the support for establishing and developing innovation infrastructure in the regions (incubators, science and technology parks, centres for technology transfer) and development of regional consulting infrastructure. In addition to the above instruments support the OPEI will endorse regional convergence (removing regional disparities) by way of bonuses for the projects realised in structurally affected regions, economically weak regions and regions with above average rate of unemployment (regions with concentrated state support) and possibly in other regions affected by higher unemployment. The details of specific support shall be provided in calls announced under relevant OPEI areas of intervention.

In the (sub)programmes of support that could be related also to the support of enterprise contributing to the economic development of cities (e.g. regeneration of municipal industrial zones, building technological parks in urban districts etc.) also the synergy of these actions with urban priorities recommended to be provided the support will be considered in the course of assessment of the projects according to the integrated projects prepared by them to be applied within Regional operational programmes.

### **The “Regions for Economic Change” Initiative**

The European Commission initiative “Regions for Economic Change” is a new tool of the Commission and regions for the 2007-2013 programming period, focused on implementing



the experience gained by the regions, through EU programmes concerning regional development. It strives to set up a network of cooperating regions that will identify problem areas in the development of each region, exchange experience in these networks, and then present their joint conclusions to the Commission. These networks will cooperate in the exchange of experience and requirements from various types of programmes.

In the “Regions for Economic Change” initiative, the OPEI Managing Authority commits itself to:

- a) make the necessary arrangements to welcome into the mainstream programming process innovative operations related to the results of the networks in which the region is involved;
- b) allow in the Monitoring Committee (or programming committee) the presence of a representative (as an observer) of the network(s) where the Region is involved, to report on the progress of the network's activities;
- c) foresee a point in the agenda of the Monitoring Committee (or programming committee) at least once a year to take note of the network's activities and to discuss relevant suggestions for the mainstream programme concerned.
- d) inform in the Annual Report on the implementation of the regional actions included in the Regions for Economic Change initiative.

### **3. PRIORITY AXES OF THE OPEI**

In compliance with the development objectives of the National Strategic Reference Framework of the Czech Republic for the period 2007 - 2013, on the basis of a thorough analysis of the state of the environment for enterprise and with special attention paid to innovation support the following seven priority axes of the Operational Programme Enterprise and Innovation (OPEI) have been specified; six of them being material and one being a priority axis focused on technical assistance:

- 1. Establishment of firms**
- 2. Development of firms**
- 3. Effective energy**
- 4. Innovation**
- 5. Environment for enterprise and innovation**
- 6. Business development services**
- 7. Technical Assistance**

The proposed priority axes comply with the global objective of the NSRF for the sphere of enterprise which is growth of the enterprise sector's competitiveness, in particular of industry and services. This objective cannot be achieved without substantial support of innovative processes, effective interface between the area of research and development and the area of industrial research and innovative processes realised in the sphere of enterprises. Therefore the OPEI emphasises quick implementation of the results of R&D in practice. All forms of co-operation which offer progress in this area should be supported.

The support for the creation of an appropriate environment for enterprise and innovation will motivate the establishment of new enterprises as well as further development of existing ones. A number of actions will be focused on supporting the infrastructure for enterprise and innovation, on improving the conditions that are necessary for the development of quality human resources and on the development of consulting and information services.

Within the OPEI, in compliance with Article 57 of the General Regulation on the Structural Funds and the Cohesion Fund the durability of operations shall be five years in the case of large firms and three years in the case of small and medium-sized enterprises.

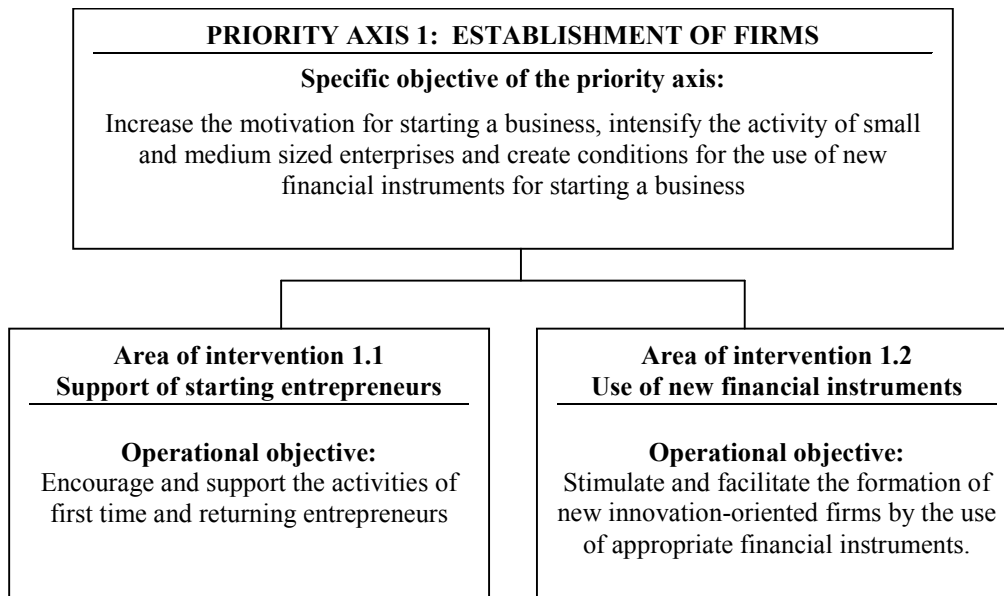
The decisions on providing the aid quoted in the parts of the operational programme below will be issued on the grounds of Article 14 of the Act No 218/2000 Coll.

A more detailed description of supported activities shall be included in calls announced under relevant OPEI areas of intervention.

### 3.1 Priority axis 1 - „Establishment of firms“

#### Characteristics of the priority axis

Priority axis 1 of the OPEI covers two areas of intervention focused on creating conditions for establishing new firms and on supporting the innovative firms. Attention will be paid to accessibility of appropriate financial resources including new pro-innovation financial instruments to facilitate starting entrepreneurs' access to capital and thus broadening the opportunities to financing their business plans and submitted projects. Only SMEs will be beneficiaries of aid.



#### Areas of intervention

##### 3.1.1 SUPPORT OF STARTING ENTREPRENEURS

This area of intervention is focused on increasing the motivation to create an enterprise by offering subsidised financing and services for entrepreneurial activities. The purpose of the support is to enable small entrepreneurs (entrepreneurs entering the business for the first time or resuming it after a longer period of time) to start their business and implement their business plans. This applies to the entrepreneurs planning to implement projects in new technologies and competitive products and services.

The products offered will be of great importance for starting entrepreneurs, as no entity in the Czech Republic offers a similar product, not even financial institutions providing their services on a commercial basis.

Justification of the area of intervention: The lack of capital, difficult access to financial resources in particular for start-ups combined with the legislation and the social perception of entrepreneurial activities in the Czech Republic are unfavourable to enterprise development. It has created an environment in which founding new entrepreneurial subjects and taking entrepreneurial risks are difficult:

Around 70,000 new enterprises are established in the Czech Republic every year. The provision of assistance to approximately 400 start-up enterprises every year is envisaged in this area of intervention. This number can be considered reasonable mainly because only some start-up enterprises use medium-term loans or may be a suitable subject for a capital contribution. The said area of intervention in this high-risk group of start-up enterprises concentrates on the best quality projects, which is reflected in the proposed allocation of resources under the OPEI. The key issue at stake for the granting of aid will be the specialization of enterprises and the quality of their business plans. Firms with innovative potential which would otherwise find it hard to obtain the resources they need to set up and run their business operations will receive assistance.

The objectives of the area of intervention are:

- to improve the access of new small firms to the financial resources,
- to finance the implementation of business plans for new starts and returning entrepreneurs,
- to increase the interest in doing business, to help new companies to start-up, to remove barriers to the financing of projects for new entrepreneurs and increase employment.

A model project supported in this area of intervention will be the purchase of machinery and equipment for leased premises and the initial procurement of inventories; the renovation of buildings and the addition of machinery and equipment, and the initial procurement of inventories; the purchase of office equipment and the initial procurement of office stocks.

0.43 % of the OPEI allocation is envisaged to be earmarked for this area of intervention.

Pursuant to Art. 2 (4) of Council Regulation (EC) No 1083/2006, the Czech-Moravian Guarantee and Development Bank (CMGDB) is a beneficiary responsible for initiating and carrying out the operation and at the same time providing support within the meaning of the provisions of Section 5 (2) b of Act No 47/2002 Coll., on the support of small- and medium sized enterprises. Within the meaning of Title I, Chapter I, Article 2 of Council Regulation (EC) No 1083/2006, an operation is the creation of a credit/guarantee fund, the investing of funds into such a fund and their use for the purposes and under conditions defined in an agreement between the MTI and the CMGDB.

Minor entrepreneur (up to 10 employees) can obtain support in the form of an interest-free credit or preferential guarantee with a financial contribution.

Within the OPEI, this area of intervention is closely related to other priority axes. In particular to Priority axis 4 focused on the support of innovation and innovative company activities, also on infrastructure for the innovation, infrastructure for the human resource development and infrastructure for the enterprise (areas of intervention in Priority axis 5) and to Priority axis 6 focused on the support of business development services.

### **3.1.2 USE OF NEW FINANCIAL INSTRUMENTS**

The introduction of new financial instruments will help resolve the issue of financing projects of SMEs in the start-up and the development phases of their business activities, which are associated with high risks that follow from the character of aid beneficiaries and the types of implemented projects. In this area of intervention, it is expected that support will be provided for investments promoting the development of SMEs through venture capital instruments in

the form of equity investments or quasi-equity forms of financing (with supplementary debt financing).

Justification of the area of intervention: In the Czech Republic there are barriers that make it difficult for new firms to obtain a loan or a capital investment by a private investor. Innovation-oriented firms (e.g. spin-offs), mainly in their seed phase or shortly after establishment, but also in the development phase, are often faced with the need to implement relatively large investments in equipment, for which they do not have sufficient own resources and, given their very short history or the amount of the investment, they are too risky for regular banking products. Despite that, these companies have a high potential for growth, competitiveness, innovation and – in the long term – also for creating new skilled jobs. At the same time, the venture capital market is underdeveloped in the Czech Republic; for example, there is currently no venture capital fund in operation that is domiciled in the Czech Republic and, generally, investments are made that have a relatively high volume of individual transactions. Therefore, there is a need in the Czech Republic to promote the development of the venture capital market through a seed fund and venture funds with the participation of public resources.

Area of intervention 1.2 of the OPEI is understood as the pilot project for supporting the development of venture capital for SMEs in the Czech Republic, which will include the holding fund that will invest in seed and venture funds, aiming to gain experience with implementing the new forms of support already in the current programming period.

The support will be implemented as a complex system including the involvement of various financial and other instruments for supporting innovative enterprise. Therefore, in addition to new financial instruments within area of intervention 1.2, complementary measures will be implemented, especially within priority axis 6 of the OPEI, so that the entire system works really effectively. It can be expected that complex support will not fully develop until after 2014, mainly due to the existing legislative obstacles that prevent the immediate implementation of certain measures, especially the holding fund.

As part of the synergistic links, this complex system also includes the activities of the pre-seed fund of the OP RDI (whose MA is the Ministry of Education, Youth and Sports) that is being prepared under priority axis III – The commercialisation and popularisation of research and development. The cooperation between the Ministry of Education, Youth and Sports and the Ministry of Industry and Trade will take the form of information exchange, mutual consultations, and the participation of the managing bodies' representatives in the partner's working group.

Within area of intervention 1.2 “Use of new financial instruments”, a holding fund will be created that will support a financial instrument or instruments that are based on equity or quasi-equity investments in start-up SMEs (a seed fund).

The holding fund will organize a tender for the administrator of the seed and the venture funds as financial engineering instruments. The tender will include the commitment to supplement the capital from private investors at a rate that will be determined by the call pursuant to applicable EU legislation on investments in venture capital for SMEs.

The implementation of support, including the transfer of resources to the fund and its administration, will be carried out in accordance with applicable EU and Czech legislation, in particular pursuant to Council Regulation (EC) No 1083/2006, Commission Regulation (EC) No 1828/2006, Commission Regulation (EC) No 800/2008, the Community guidelines for

promoting venture capital for small and medium-sized enterprises, Act No 218/2000 Sb., Act No 219/2000 Sb., Act No 47/2002 Sb. and others. In this case, the fund's unequivocal objective must be to support the development of innovative enterprise in the Czech Republic.

The MIT is prepared to implement this new instrument for promoting the innovation environment in the Czech Republic in the above scope, provided that the relevant legislative changes are made (especially in Act No 218/2000 Sb.) and that private investors are interested in obtaining resources from the holding fund.

In the framework of the seed fund pilot project, the MIT has proposed establishment of a state joint stock company Český rozvojový, uzavřený investiční fond, a.s. (Czech development, closed-end investment fund). The proposal was approved by the Government on 23rd November 2011. This company shall invest capital in early stage enterprises with potential to innovate and thus support development of innovation-oriented starting companies and technology- and R&D-oriented companies with certain entrepreneurship experience (5 years is a maximum). This joint stock company shall co-invest with private investors in the target SMEs. Private investors shall ensure at least 30 % of each individual investment.

The model supported project within this area of intervention is the establishment or development of a start-up firm by a person with a business plan/idea (young entrepreneurs, researchers, doctoral students) and the further development of a firm that has been in business for less than 5 years. In all cases, these will be innovative, dynamic, technology-oriented entities from any area that is compatible with the OPEI's orientation.

It is expected that 0.87% of the OPEI allocation will be earmarked for this area of intervention.

Pursuant to Article 2 (4) of Council Regulation (EC) No 1083/2006, the beneficiary under this area of intervention is the holding or the investment fund, depending on the development of national legislation, mainly with respect to budgetary rules. Within the meaning of Title I, Chapter I, Article 2 of Council Regulation (EC) No 1083/2006, an operation is the creation of the seed fund, the investing of financial resources into such a fund and their use for the purposes and under the conditions defined in the fund's statutes and in the managing contract with investment company.

Support will be provided to start-up SMEs and SMEs in the development stage within 5 years from their establishment in the form of equity or quasi-equity investment in the business, supplementary in the form of debt financing.

Within the OPEI, this area has close links to other areas of intervention. In particular, these include the links to projects under area of intervention 6.1 Support for consulting services, which have a supplementary effect on forming a suitable environment for the development of venture capital for SMEs. There are also identifiable links to area of intervention 5.1 Cooperation platforms that is oriented, among other things, towards supporting start-up innovative firms through business incubators and obtaining sources for their financing through developing business angels networks.

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### Indicators for Priority axis 1 – „Establishment of firms “

The indicators of Priority axis 1 measure the results achieved through direct support of new start-ups (small entrepreneurs entering the business for the first time or after a longer lapse of time) through provision of preferential financing.

The below target values have been determined on the basis of the qualified estimate of the results to date of implementation of the OPIE 2004-2006, under which a similar scheme „START“ is carried out. The target value of this priority axis also includes estimated results of the carrying out of support schemes on the basis of implementation of new financial instruments.

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line OPEI 2007/ OPIE 2006	Target value – 2015	
Number of supported projects of direct support to SMEs	Main (Core) Output	Number of supported projects for new start SMEs	0/833	480	ISOP
Number of newly established firms	Result	Number of enterprises supported under area of intervention 1.1	0/700	450	ISOP
Number of SMEs supported from risk capital funds	Output	Number of SMEs supported from risk capital funds within the area of intervention 1.2	0/0	30	ISOP
Number of newly created jobs Of which: -men -women	Main (Core) Impact	Gross number of newly created jobs (FTE) as result of support	0/1 318 0/538 0/780	1 500 800 700	ISOP

### Categories of expenditure within Priority axis 1

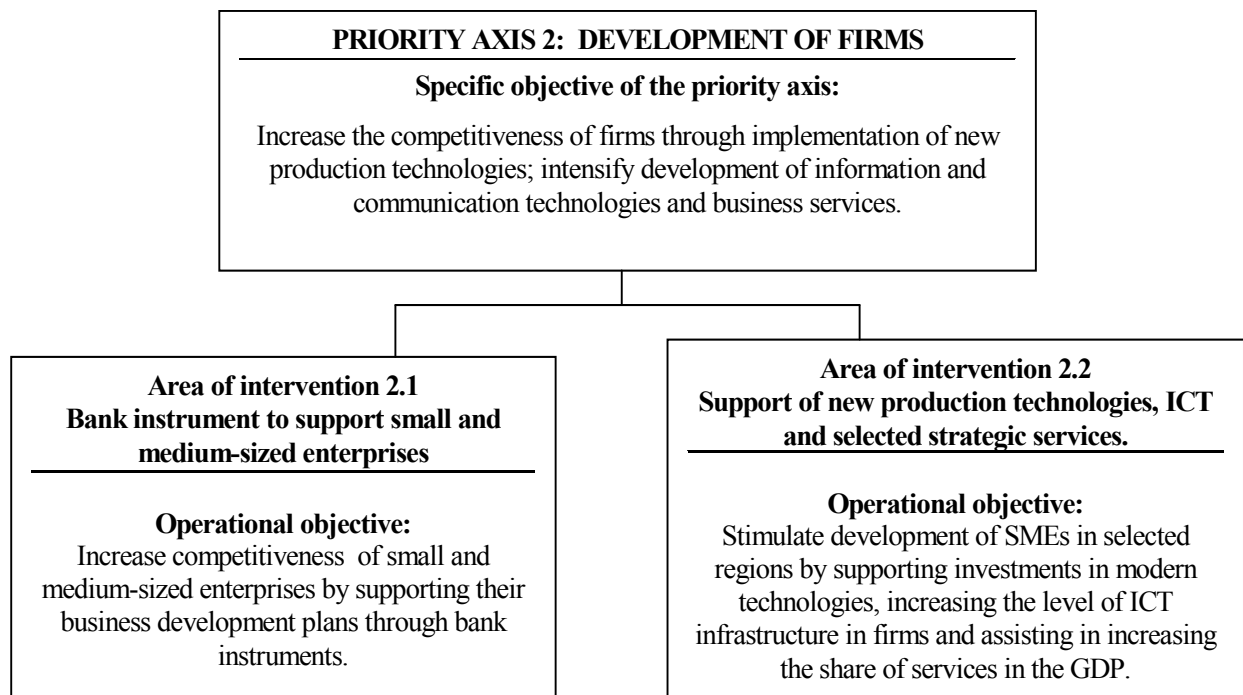
(according to Article 9, paragraph 3 of the General Regulation on the SF and the CF)

Code	Priority themes
05	Advanced support services for firms and groups of firms
08	Other investment in firms
09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
68	Support for self-employment and business start-up

### 3.2 Priority axis 2 - „Development of firms“

#### Characteristics of the priority axis

This priority axis contains two areas of intervention. The first area is focused on the support of the implementation of business development plans by competitive small and medium-sized enterprises which are prevented from obtaining external bank finance due to low levels of personal capital or by their limited ability to provide a guarantee for a loan. The second area is focused on improving the technical equipment of firms by purchasing new modern technologies including information and communication technologies (ICT). It also focuses on the development of selected strategic services. For the most part, SMEs will be beneficiaries of aid.



#### Areas of intervention

##### 3.2.1 BANK INSTRUMENTS FOR THE SUPPORT OF SMALL AND MEDIUM-SIZED ENTERPRISES

This area of intervention is oriented towards improving the competitiveness of small and medium-sized enterprises through supporting the implementation of small-scale business development projects of small entrepreneurs with a rather short history, through supporting larger-scale projects of small and namely medium-sized entrepreneurs, and through supporting the implementation of business projects of small and medium-sized enterprises that ensure their competitiveness and further expansion. The purpose of provided support is to accelerate the development of small and medium-sized enterprises that are capable of implementing larger-scale projects leading to their increased competitiveness and enterprises that have the capacity to become involved with large company supply chains. Given that the competitiveness of these entrepreneurs is to a large degree affected by the availability of

financing for projects that implement product and process innovations (i.e. in all phases of the firm's development), there are specialised support instruments that are intended for these firms and projects.

Justification of the area of intervention: Difficult access to finance represents an important barrier both to establishing new firms and to the further development of existing businesses. These include especially cases where there is a sudden sharp increase in the firm's debt and the entrepreneur's further outlook is very strongly linked with the degree of success of this project. This is especially strongly felt in the case of projects focusing on product and process innovation. These projects are a challenge that is either addressed by the entrepreneur with the risk of failure, or is ignored, which is very often the first step towards the demise of the company. Projects of this type drive the development of small and medium-sized enterprises, improving their competitiveness and especially increasing employment, which is why their support is necessary for accomplishing the operational programme's objectives.

The objectives of the area of intervention are:

- To support the implementation of small scale business development projects of new small entrepreneurs with a short history, for whom the barrier to obtaining external financing are their low capital resources or limited ability to provide guarantees, with special emphasis on improving the accessibility of external financing through various types of capital investments by private investors,
- To support more extensive business development projects of small and medium-sized entrepreneurs with focus on purchasing new technologies including the typically associated product and process innovations that have a higher potential for increasing revenues but also the risk of failure,
- Facilitate the implementation of business projects of small and medium-sized entrepreneurs to help maintain competitiveness or drive further expansion of the firm in the cases when providing a bank loan is more risky due to a limited ability to provide sufficient collateral for the loan.
- To support the development of risk capital market in the Czech Republic.

A model project supported within this area of intervention will be the purchase of machinery and equipment for leased premises or the beneficiary's own premises; the renovation, purchase and construction of buildings and the addition of machinery and equipment; possibly an increase in inventories to cover new contracts for an expansion in the range of goods on sale and to ensure the faster, fuller coverage of customers' needs, the launch of products or processes that are new for the entrepreneur or the market; risk capital financing of SMEs development projects with participation of private sources.

As regards subordinated loans and guarantees, the beneficiary pursuant to Art. 2 (4) of Council Regulation (EC) No 1083/2006 responsible for initiating and carrying out the operation is the Czech-Moravian Guarantee and Development Bank (CMGDB), which is at the same time providing support within the meaning of the provisions of Section 5 (2) b of Act No 47/2002 Coll., on the support of small- and medium sized enterprises. Within the meaning of Title I, Chapter I, Article 2 of Council Regulation (EC) No 1083/2006, an operation is the creation of a credit/guarantee fund, the investing of funds into such a fund and their use for the purposes and under the conditions defined in the agreement between the MTI and the CMGDB.

The CMGDB provides support to business entities (SMEs) in the form of preferential subordinated loans and guarantees for loans that will facilitate the access of small and medium-sized entrepreneurs to external financing sources, especially bank loans.

Aside from the mentioned interventions in the form of loans and guarantees, it is planned within this area of intervention to implement a VC fund founded by the Ministry of Industry and Trade, in connection with establishment and launch of the seed fund pilot project within the area of intervention 1.2 “Use of new financial instruments”. This action shall expand the seed fund project realisation to support progressive innovative companies with market experience (at least 5 years) and using private sources, which shall form at least 30 % of each individual investment in SMEs.

As regards risk capital, the beneficiary pursuant to Article 2 (4) of Council Regulation (EC) No 1083/2006 is the holding or the investment fund, depending on the development of national legislation, mainly with respect to budgetary rules. Within the meaning of Title I, Chapter I, Article 2 of Council Regulation (EC) No 1083/2006, an operation is the creation of the VC fund, the investing of financial resources into such a fund and their use for the purposes and under the conditions defined in the fund’s statutes and in the managing contract with investment company.

Support will be provided to SMEs with longer market experience in the form of equity or quasi-equity investment in the business, supplementary in the form of debt financing.

8.56% of the OPEI allocation is envisaged to be earmarked for this area of intervention.

Within the OPEI, this area of intervention has links with other areas of intervention within other priority axes. These include in particular links with priority axis 4 focusing on support for innovations and innovative activities of enterprises, areas of intervention concerning the development of the infrastructure for innovation, human resources and business infrastructure (within priority axis 5), priority axis 6 focusing on support for services for business development, and priority axis 1, in which case it is mainly support for the growth phase of entrepreneurs that had already been supported in the start-up phase (loans and guarantees) and as regards activities connected with development of risk capital market in the Czech Republic.

### **3.2.2 SUPPORT OF NEW PRODUCTION TECHNOLOGIES, ICT AND SELECTED STRATEGIC SERVICES**

This area of intervention is focused on increasing the competitiveness of small and medium-sized enterprises by encouraging the implementation of advanced technologies. Within this area of intervention, the emphasis will also be placed on the balanced development of regions and on reducing regional disparities. Therefore the support provided will be directed to projects with growth potential and those that contribute to removing regional disparities (in structurally challenged regions, economically weak regions, and regions with highly above-average unemployment, to which the State directs concentrated support).

The support will also be directed to the area of information and communication technologies’ development, to a more extensive use of ICT in firms and to the development of selected strategic services closely related to information and communication technologies.

Justification of the area of intervention: The measures will directly increase the competitiveness of enterprises by reducing the costs and increasing the effectiveness of

activities through the implementation and the use of ICT and the use of services closely linked to information and communication technology.

The experience from the Operational Programme Industry and Enterprise (2004-2006) indicates that to develop and increase the competitiveness of small and medium-sized enterprises it is necessary to direct support to the implementation of investments related to technology and equipment. When providing this type of support in the Operational Programme Enterprise and Innovation regional aspects will be considered (see Government Resolution No 560/2006).

Therefore the objective of this intervention is to support, in selected regions, the realisation of more extensive business development projects among small and namely medium-sized entrepreneurs related to investments in modern technologies and to contribute to strengthening the market position of the firms supported and thus to contribute to maintaining and growing employment.

A further objective of the support is to contribute to increasing the competitiveness of the firms through greater use of the potential of information and communication technologies and to contribute to the development of the information and knowledge society.

A model project supported in this area of intervention would be a development project for the purchase of technology with higher technical and utility parameters and the implementation of a project enhancing the efficiency of projects. Mainly at stake here is the purchase of machinery, construction costs directly relating to the project, and the cost of purchasing patent licences for know-how and non-patented know-how.

In ICT, model projects will entail the launch or expansion of information systems required in the development of new products or having an impact on the internal efficiency of undertakings; the enhancement of the technical infrastructure or the outsourcing of information systems. In strategic services, projects receiving assistance will involve the creation of new IS/ICT solutions and applications, centres for the design and implementation of IS/ICT, service pooling centres, customer support centres, centres for the repair of hi-tech products and technologies.

17.48 % of the OPEI allocation is envisaged to be earmarked for this area of intervention.

The support will be provided in the form of subsidies.

Small and medium-sized enterprises will be beneficiaries in cases of investment in new production technology and ICT use; the agency CzechInvest will be the beneficiary in cases of projects for the support of basic ICT equipment of SMEs. Within the scope of the development of strategic and ICT services, large enterprises may also be beneficiaries.

Within the OPEI this area of intervention is related to other priority axes. In particular there is a relation to the infrastructure for human resources development in Priority axis 5 and to Priority axis 6 oriented to the support of business development services.

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### **Indicators for Priority axis 2 – „Development of firms “**

The indicators of Priority axis 2 measure both the results of the support for the development of existing firms mainly in the category of small and medium-sized enterprises and the results of the support aimed at upgrading of technical equipment of enterprises as well as the development and use of ICT and of selected strategic services.

The determination of the qualified estimate of the target values of indicators was influenced, apart from taking advantage of the previous experience of a similar scheme „Development“ within the OPIE 2004-2006, also by the inclusion of new supported activities within the credit schemes – support sub-schemes Progress, Guarantee, EPC („Energy Performance Contracting“) and the newly supported activities aimed at ICT development in enterprises and in the area of strategic services.

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line OPEI 2007/ OPIE 2006	Target value – 2015	
Number of supported projects	Main (Core) Output	Number of projects supporting firms' development	0/983	5 200	ISOP
Number of SMEs supported from risk capital funds	Output	Number of SMEs supported from risk capital funds within the area of intervention 2.1	0/0	20	ISOP
Number of firms supported by projects for the purchase of new technology	Output	Number of supported firms	0/983	1 400	ISOP
Number of ICT development projects Of which projects submitted by large companies	Output	Number of supported projects of ICT development and use	New area of intervention	1 600 50	ISOP
Added value increment of supported projects	Result	%	+10 %	+ 30 %	ISOP
Number of newly created jobs Of which: -men -women	Main (Core) Result	Gross number of newly created jobs (FTE) as result of support	0/1 013 0/450 0/563	25 000 16 000 9 000	ISOP



### Categories of expenditure within Priority axis 2

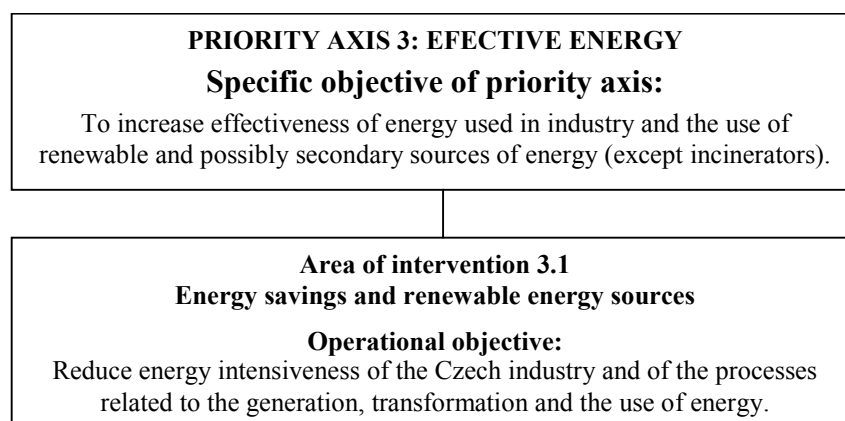
(according to Article 9, paragraph 3 of the General Regulation on the Structural Funds and the Cohesion Fund)

Code	Priority themes
05	Advanced support services for firms and groups of firms
06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (introduction of effective environment management systems, adoption and use of pollution prevention technologies, integration of clean technologies into firm production)
08	Other investment in firms
11	Information and communication technologies (access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)
15	Other measures for improving access to and efficient use of ICT by SMEs
68	Support for self-employment and business start-up

### 3.3 Priority axis 3 – “Effective energy”

#### Characteristics of the priority axis

Priority axis 3 of the OPEI contains one area of intervention aimed at stimulating the activity of entrepreneurs in reducing the energy intensiveness of the production processes, reducing the consumption of primary fossil fuels and at supporting new entrepreneurs in activities leading to a higher use of renewable and secondary sources of energy. The support provided will be oriented to increasing the effectiveness of the production, transmission and consumption of energy, in addition to the use of renewable and secondary energy sources. For the most part, SMEs will be beneficiaries of aid.



## Areas of intervention

### 3.3.1 ENERGY SAVINGS AND RENEWABLE SOURCES OF ENERGY

This area will focus on supporting entrepreneurial activities in the area of energy savings, renewable and possibly secondary sources of energy (with the exception of direct support of incinerators). The objective of the support is to reduce energy intensiveness per unit of production while maintaining the long term stability and accessibility of energy to entrepreneurs, to put limits on the dependence of the Czech economy on imports of energy commodities, to reduce the consumption of primary fossil sources of energy, to support entrepreneurs in the use of renewable sources of energy and to contribute to increasing their competitiveness. The intention is also to utilise the important potential for energy savings and for the use of renewable energy in larger firms.

Support will focus on building facilities for the generation and transmission of electric and thermal energy generated from renewable energy sources and on the reconstruction of existing production facilities in order to use renewable energy sources. Further support will be provided for modernisation of existing energy production facilities to increase their efficiency, for implementation and modernisation of systems for measurement and regulation of energy, for modernisation, reconstruction and loss reduction in the transmission of electricity and heat and to the use of energy lost in industrial processes.

Justification of the area of intervention: Energy intensiveness is an indicator of the maturity of the economy, in particular of industry. Reducing energy intensiveness demonstrates the success of structural changes and of the modernisation of the industry. For industrial sectors of the Czech economy, reducing the energy intensiveness – direct or indirect (in terms of materials) – represents a key factor on the way to increased competitiveness. In today's global economy the market for energy commodities shows a high degree of volatility not only in terms of price stability but also in terms of availability of some raw materials.

Currently the energy intensiveness in the Czech Republic is still significantly higher than in developed countries. Also local renewable and secondary sources of energy have not been sufficiently exploited in the Czech Republic. Thus there is considerable potential for energy and raw materials savings. However achieving these savings is highly capital intensive and thus often inaccessible to small and medium-sized enterprises (high costs of the purchase and implementation of less energy consuming technologies). An important potential for energy savings can be seen in larger manufacturing companies rather than in SMEs because their share of the total consumption of fuel and energy is 73 %.

A model project supported in this area of intervention would be the use of renewable and secondary energy sources, in the form of the construction of facilities for the generation and distribution of power and heat produced from renewable and secondary energy sources; the renovation of existing generating installations with a view to the use of renewable and secondary energy sources; the construction of installations for the production of briquettes and pellets from renewable and secondary energy sources.

Another type of project suitable for assistance would be an increase in effectiveness during the generation, transmission and consumption of energy by modernizing existing energy-generating installations to enhance their effectiveness; the introduction and modernization of metering and control systems; the modernization, renovation and loss reduction in power and heat distribution systems; improvements in the heat-related technical properties of buildings (with the exception of family houses and apartment buildings); the reuse of waste energy in

industrial processes; improvements in energy efficiency by introducing combined heat and power generation.

13.43 % of the OPEI allocation is envisaged to be earmarked for this area of intervention.

Financial distribution of Priority axis 3 "Effective energy": One half of the funds allocated to this priority axis will be the support geared towards increasing energy savings and one half of the allocated funds will be the support geared towards the use of renewable energy sources.

The support will be provided in the form of subsidies or subsidised loans.

The beneficiaries will be entrepreneurial subjects (SMEs and possibly when substantiated also large firms).

As far as the use of renewable energy sources is concerned, this area of intervention of the OPEI is closely related to the Programme of Rural Development (PRD, under the responsibility of the MoA) and the Operational Programme Environment (OP Env., under the responsibility of the MoE). The OPEI overlaps with the PRD and the OP Env. have been removed by agreements between the ministries, that the OPEI shall exclude supporting entrepreneurs in agriculture, according to Act No 252/1997 Coll., as amended. In the environmental sector, the basic division is between support for the entrepreneurial sector (under the responsibility of the MIT) and the non-profit sector (under the responsibility of the MoE).

In the OPEI this area of intervention is closely related to other priority axes. In particular to Priority Axis 4, oriented to the support of innovations (eco-innovations; the acquisition of the latest technologies in itself brings a reduction in the energy intensiveness of production), and to the support of enterprise in energy related services under Priority Axis 2 (EPC), where an allocation of 0.5 % of the overall allocation of the OPEI is expected. These priority axes will thus indirectly support the goals of the Effective Energy Priority Axis.

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### Indicators for Priority axis 3 – „Effective energy”

The indicators of Priority axis 3 measure the results of the projects supported in the area of effective energy (renewable sources of energy, energy savings).

The below target values within this priority axis result from much higher allocation of resources to this scheme, compared to the programming period 2004-2006 and from the anticipated higher absorption capacity due to the fact that a number of projects under the OPIE could not be implemented in the period 2004 – 2006 because of lack of resources.

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line OPEI 2007/ OPIE 2006	Target value – 2015	
Number of supported projects of effective energy (SMEs)	Main (Core) Output	Number of supported projects	0/104	850	ISOP
Number of projects submitted by large companies			0/0	270	

Power generation from renewable sources (link to Lisbon strategy)	Impact	Share of power generation from renewable sources in overall power consumption	5 % (2005)	9 %	CSO
Energy savings	Impact	TJ/yearly	0/220	11 000	ISOP

### Categories of expenditure within Priority axis 3

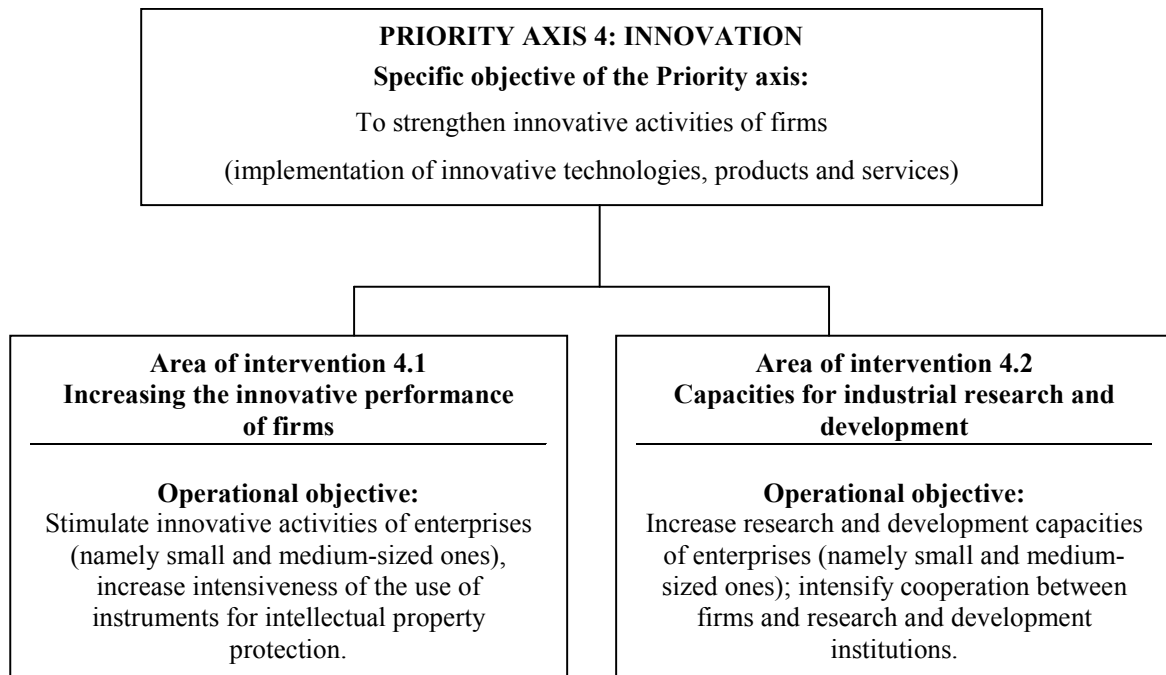
(according to Article 9, paragraph 3 of the General Regulation on the Structural Funds and the Cohesion Fund)

Code	Priority themes
41	Renewable energy: biomass
42	Renewable energy: hydroelectric, geothermal and other
43	Energy efficiency, co-generation, energy management

### 3.4 Priority axis 4 – „Innovation“

#### Characteristics of the priority axis

Priority axis 4 contains two areas of intervention focused on the support of technical innovations (innovation of products and processes) and non-technical innovations (organisational and marketing innovation) in enterprises including the development of their cooperation with research and development institutions and the development of internal capacities for R&D and related activities, in particular in SMEs in order to increase innovative activities and the number of enterprises that carry out their own research and development. In this context the Priority axis is focused mainly on the commercialisation of the results of R&D which can directly accelerate and improve innovative processes leading to higher competitiveness of the industry and service sectors. Attention is paid also to the activities related to the intellectual property rights protection. For the most part, SMEs will be beneficiaries of aid.



## Areas of intervention

### 3.4.1 INCREASING THE INNOVATIVE PERFORMANCE OF FIRMS

The implementation of innovations and extensive use of the results of research and development in industry and business services stimulates economic growth. From a practical point of view innovation supports the creation and maintenance of quality jobs through higher productivity and flexibility, adopting more effective technologies and management methods. It also reinforces the ability to respond promptly to changes and market opportunities and creates an environment that encourages new innovative firm formation. Therefore the purpose of providing support in this area is to stimulate innovative activities, in particular among small and medium-sized firms.

Justification of the area of intervention: Studies carried out identifying the barriers to the development of the Czech economy note that its innovation performance is a decisive handicap and contributes to the Czech Republic's relatively poor economic performance compared to the leading economies of the European Union. The results of these analyses and evaluations document this market failure and this justifies the plan to support innovation from public sources. Incorporating this area of intervention into the Operational Programme Enterprise and Innovation is extraordinarily important both for SMEs and large firms in the Czech Republic.

It is also important to deal with the protection of industrial property rights (IPR), which is expensive. Currently there are no instruments in the Czech Republic that reduce the financial burden of innovative firms where they decide to patent the results of their research and development or protect them with other instruments of IPR. Furthermore, the high costs of international patent and trademark protection represent a significant barrier for innovative Czech firms and can prevent them from fully exploiting the results of their research and development. Therefore, in this area of intervention, support is planned for the creation of a system that will facilitate not only the industrial law protection of the results of research and

development, but also their licensing and marketing (an improvement in the patent system as such will be addressed in measures under the OP R&DI).

The objective of this intervention is to stimulate and increase innovative activities of SMEs and large firms in both manufacturing and services. The support provided will improve the financial stability of firms producing innovative products, technologies and services. A further objective of this intervention is to supporting patent activities of enterprises, research and development institutions and universities to improve the conditions for the transfer of the results of research and development to practice. Primarily at stake here is the removal of the barrier hindering the growth of patent activities among Czech entities, mainly comprising the high cost of patenting (especially abroad), and, through subsidies, support for greater intensity in the application of IPR protection by SMEs, research institutions, universities and natural persons.

A model innovative project that could be supported here would be an increase in the technical and utility values of products, technologies and services (product innovation); an increase in the efficiency of production processes and the provision of services (process innovation); the introduction of new methods for the organization of corporate processes and cooperation with companies and public institutions (the organization of innovation); the introduction of new sales channels (marketing innovation); and activities geared towards the protection of industrial property rights.

18.03 % of the OPEI allocation is envisaged to be earmarked for this area of intervention

The support will be provided in the form of subsidies.

The beneficiaries will be entrepreneurial subjects (SMEs and large firms) and in the case of patent activities, public research institutions, universities, natural persons will also be supported.

The reason for supporting large firms is the fact that innovation and related activities can be capital intensive and high risk is generally performed by firms with a strong capital base. Due to their flexibility, SMEs are an integral part of the innovation system, however so far in the Czech Republic they have been struggling with the lack of capital and with difficult and relatively expensive access to loan finance. Large firms have the highest potential for creating new qualified jobs and have better conditions for their own innovation-oriented research capable of comparison with foreign competitors. This can be followed by SMEs implementing incremental innovations. Large firms represent a driving force for innovative activities and create opportunities for innovative performance among small and medium-sized enterprises. Linked to the implementation of innovations by large firms is a positive effect of technology transfer which can be identified in the supply chain that are usually small and medium-sized enterprises that are highly motivated this way to carry out their own innovative activities.

This area of intervention is related to the support of creating capacities for innovative activities within this priority axis, to the support for creating an environment for innovation (Priority axis 5) and to national programmes of research and development. At the same time it is related to the OP Research and Development for Innovation (OP RDI, under the responsibility of MEYS).



### 3.4.2 CAPACITIES FOR INDUSTRIAL RESEARCH AND DEVELOPMENT

The objective of this intervention is to strengthen the research and innovative capacities of the firms (in particular SMEs), to increase the number of firms that carry out their own research, development and innovation, to increase employment through creation of new qualified jobs and to deepen the cooperation between firms and research and development institutions. These activities should contribute to increasing the firm competitiveness and create conditions for their involvement in domestic and European research and development programmes. Those firms planning to build or extend existing facilities for research, development and innovation of products and technologies will be targeted for support.

A model project supported in this area of intervention would be the establishment or development of industrial research, development and innovation centres entailing the acquisition of land, buildings, machinery / equipment and other facilities required for the centre's operations and used exclusively for the centre's activities.

9.28 % of the OPEI allocation is envisaged to be earmarked for this area of intervention

The support will be provided in the form of subsidies.

The beneficiaries will be entrepreneurial subjects (SME and large firms).

The support provided within this area of intervention creates conditions for effective involvement of the firms in R&D projects supported within national R&D programmes and the 6<sup>th</sup> Framework Programme for R&D (or the 7<sup>th</sup> Framework Programme). This area of intervention will support the building, equipping, and staffing of industrial research and development workstations. Securing high-quality equipment and staff for the companies supported, especially SMEs, will lead to a significant increase in the quality of the industrial R&D they undertake, and thereby also increase their ability to cooperate on a par with their European partners in R&D. That will in turn lead to an improved transfer of knowledge from foreign partners.

Within the OPEI this area of intervention has close relations to other priority axes (PA), in particular to the intervention oriented to the development of infrastructure for innovation (cooperation platforms), to infrastructure for human resources development and the business infrastructure (areas of intervention in PA 5) and to PA 6 focused on the support of business development services.

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#### **Indicators for Priority axis 4 – „Innovation “**

The indicators of Priority axis 4 measure the results of support for innovation and innovative activities of firms, research institutions, universities and other tertiary education institutions. The indicators monitor the number of supported projects in the area of research and development, innovations and patents, expenditure on innovations in the business sector, share of innovative companies in the business sector. The selection of the indicators was influenced by the fact that in the above mentioned areas of intervention, the long-term conditions for increasing the performance and competitiveness of the economy and its ability to improve performance to the level of developed countries are created.

The target values of indicators within this priority axis are based on the absorption capacity, as indicated by the enterprise sphere, on the determined financial allocation to this priority axis which due to its significance to the development of industry competitiveness accounts for one fifth of the OPEI financial resources. Also experience of the Innovation OPIE 2004 –

2006 scheme was evaluated. Last but not least, also the newly supported research activities are important factors affecting the target values of this priority axis.

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line OPEI 2007/ OPIE 2006	Target value – 2015	
Number of supported projects for R&D, innovations and patents Of which projects submitted by large companies	Main (Core) Output	Number of supported projects	0/100  0/45	1 800  420	ISOP
Share of revenues from innovative products as a proportion of total revenues of supported firms	Result	Share of revenues from own innovative products and services in %	10 %	25 %	ISOP
Expenditures on innovations in the business sector	Impact	Expenditures on innovations incurred by innovative activities, in CZK m (current prices)	46.7 (2004)	60.7	CSO
Share of innovative economic subjects in the business sector	Impact	Share of firms with innovative product or process in %	33 % (2003)	45 %	CSO

#### Categories of expenditure within Priority axis 4

(according to Article 9, paragraph 3 of the General Regulation on the Structural Funds and the Cohesion Fund)

Code	Priority themes
04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes
07	Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)
09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
63	Design and dissemination of innovative and more productive ways of organising work

### 3.5 Priority axis 5 – „Environment for enterprise and innovation“

#### Characteristics of the priority axis

Priority axis 5 has three areas of intervention and focuses on stimulating an environment that will encourage the establishment and development of innovative companies. It aims to create the necessary infrastructure for innovative new businesses through provision of business incubators, to extend and increase the quality of cooperation between enterprises, educational and research and development institutions to support and accelerate innovative processes in firms. The priority axis will support all forms of effective cooperation between enterprises, namely SMEs and other subjects.

The priority axis is oriented to the support of establishing and developing new cooperative sectoral groups (clusters), technology platforms. It will also support development of the infrastructure for industrial research, technology development and innovation through establishing and developing science and technology parks and centres for technology transfer.

The priority axis also focuses on creating quality infrastructure for the education and development of human resources of firms and institutions providing training to companies and their employees. Attention is also paid to increasing the quality of infrastructure for businesses, through creating and developing commercial real estate to European standards through the regeneration of brownfield sites.

For the most part, SMEs will be beneficiaries of aid.

For projects implemented by business and public entities the option of PPP projects (Public Private Partnership) based on effective cooperation between public and private sectors will be tested as an alternative financing solution.

The partnership of public and private sector might, under some conditions, be of great interest for the public sector, especially for preparation and implementation of infrastructure projects.

Principal advantages of PPP for public sector are following:

- saving of public resources
- possibility of increased volume of investment ( leverage effect)
- better indicator "value for money" due to private sector' s experience
- reduced length of the construction periods
- high technical quality of projects
- lower level of risk for public sector since some risks are transferred to private sector

PPP projects are not necessarily profitable for public sector. Therefore, to ensure successful use of PPP and to reduce economic risks, public authorities have to focus on several aspects:

- to use right PPP model
- to encourage competition among prospective private partners
- to protect public interest
- to guarantee viability of project without any undue profit resulting from public subsidies

The experience in PPP for the realisation of infrastructure projects is limited in the Czech Republic. Moreover some doubts exist whether the related legal framework is sufficiently developed. Therefore Ministry for Regional Development shall lead activities concerning creation of appropriate legal base for PPP projects.

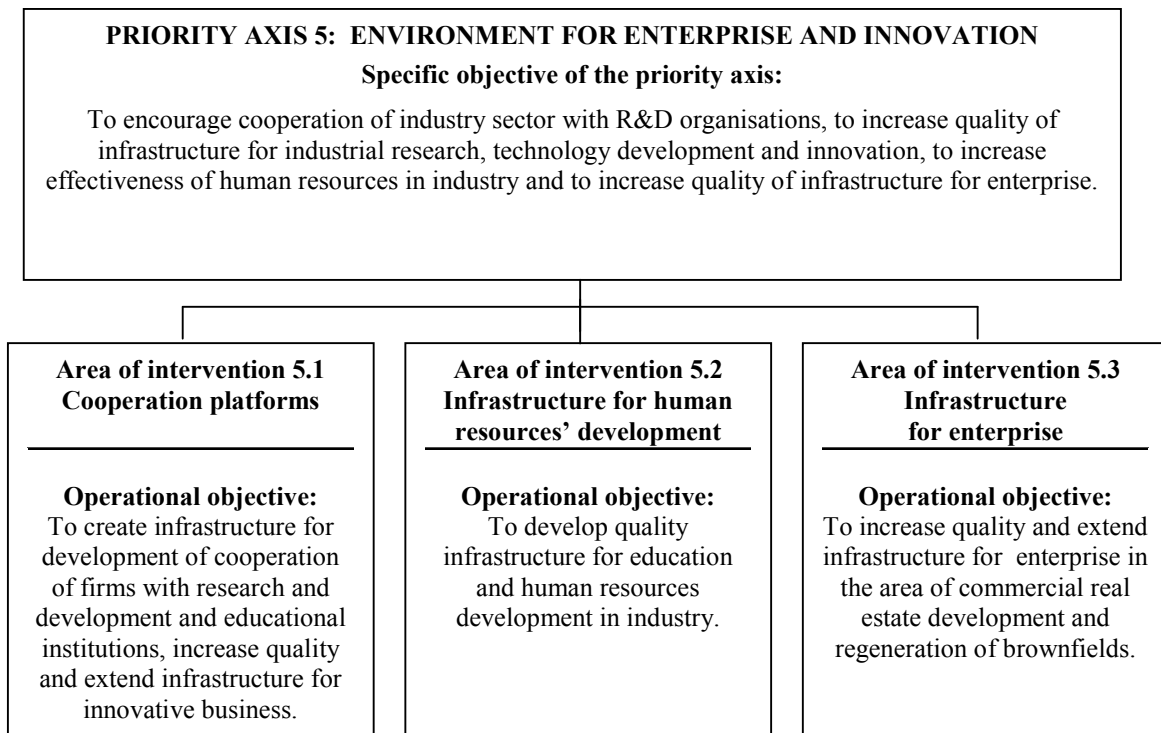
The Ministry for Regional Development elaborated (pursuant to the Government Decree No 536/2007) the detailed Methodological interpretation of the “Concession Contracts and Concession Procedures Act No 139/2006 (Concession Act)”, as an important aid for the whole process of the PPP projects preparation and implementation; it can be applied namely by regions, cities and municipalities.

The main task of Managing Authorities in terms of promoting PPP projects will be the dissemination of the above mentioned information and reports to prospective final beneficiaries in the form of workshops, seminars, conferences, publications, etc.

The OPEI Managing Authority shall consider the announcement of a call (or calls) including support for PPP projects provided that the methodology is completely clarified and that sufficient absorption capacity has been identified for PPP projects. Prepared PPP project proposals will be submitted in the course of calls for proposal launched within priority axis or areas of intervention appropriate to the project.

The fundamental target will be to carry out as many PPP projects as possible in the programming period 2007-2013. These projects will create positive experience and it is expected that this will create positive dynamics for other partnerships of this type.

When considering implementation of a particular project through partnership of public and private sector it will be inevitable to prevent undue profit and to preserve equal and transparent approach while respecting national and Community law. This applies especially to the area of public support.



## Areas of intervention

### 3.5.1 COOPERATION PLATFORMS

This area of intervention will support cooperation between enterprises, scientific research and educational institutions at regional and national levels with the possibility of supporting international cooperation between new and existing structures. The focus of the support will be on projects to identify, found and develop clusters, and technology platforms. The prevailing focus in this area is to create the infrastructure to encourage cooperation mainly in research and development, education, internationalisation, know-how transfer and support of concrete projects to be implemented using the results of collaborative industrial research and development undertaken by companies and research and development institutions.

Within this area of intervention several types of cooperative structure and projects will be supported on the basis of freer forms of cooperation. The support in the form of subsidies will be provided to create and develop regionally concentrated sectoral groupings of firms and supporting institutions, including research and training institutions, i.e. clusters. Technology platforms will also be supported as both founding the initiation and development of national technology platforms as well as linkages between the public and private sectors in strategically important R&D sectors (linked with the OP EC and OP RDI) and the integration of Czech research institutions and firms into international technology platforms.

The support provided will also be directed to the development of infrastructure for industrial research, development and innovation with focus on technology transfer and on support of direct links between research institutions and the business sphere.

The processes of establishing, managing and growing business incubators or business innovation centres (BIC, PIC) that create the conditions for establishing and development of small and medium-sized innovative firms oriented to the implementation of new technologies and competitive products and services will also be supported. The aim is to provide infrastructure for establishing and developing new firms, for the development of spin-offs with innovation potential through the use of regenerated brownfield sites.

Justification of the area of intervention: One of the biggest barriers to the competitiveness of the Czech economy is insufficient communication between the research and development sphere and the enterprise sphere. Establishing various forms of cooperative structures will enable the realisation of collaborative innovation projects that could not be afforded by individual participants.

Currently various types of structure are being developed around the world with different distributions of authority, resources and responsibility between individual members. The cooperation among members of these associations results in greater sharing of modern business infrastructure, laboratory, testing and manufacturing facilities and necessary (risk) capital. They also enable sharing of knowledge, information, the capacities of professional specialists leading to better decision making, reduction of risks and to faster realisation of innovative projects on demanding international markets. Recently, the practice of forming platforms of scientific and technical innovation cooperation in new cooperative formations has been recognised in the European Research Area (ERA) and it has been recommended that all member states participate.

Forming technology platforms, innovation centres and other forms of cluster type cooperation between enterprises, public research institutions and universities with the participation of

other public institutions represents one of the decisive ways of acquiring competitive advantages and achieving innovation results capable of international use.

The analyses of the competitiveness of the Czech economy shows that the transfer of results of research and development to the innovation processes is not sufficiently effective. The expenditures of the national budget for research and development are low and in addition the instruments for the motivation of higher mobility of science and technology specialists between research institutes, universities and manufacturing enterprises are ineffective.

In the area of the infrastructure for innovation, research and development the key role is to support cooperation between universities, research institutions and firms, to support the transfer of the results of research and development to practice and to support acquiring, technical upgrading and repairs of facilities and equipment. Within this area of intervention subsidies will be provided to support the establishing and development of incubators, science and technology parks and the founding and development of technology transfer centres (support of direct relations between research institutions and the business sphere).

The objective of this area of intervention is to create a favourable environment for enterprise, to improve the conditions for enterprise and innovation and to develop competitive advantage by improving the links between research, educational institutions, the enterprise sphere and the public administration.

Model cluster projects that could receive assistance here will be based on the cooperation of member companies in multiple areas, e.g. the joint purchase and use of testing, measuring and laboratory equipment, joint workshops, seminars, exhibitions and marketing presentations. The aim of the projects is the phasing-in of innovations in the product portfolio and the related processes achieved on the basis of improvements in mutual links between companies, the tertiary sphere and research institutions.

A model technology platform project that could receive assistance here would be an association of key subjects from a given sector in the industrial, research and public sphere that defines research and development priorities, a timetable and action plans in the medium and long term – the production of a strategic research agenda and subsequent implementation thereof.

Other model projects in the area of intervention ‘Cooperation platforms’ will be the establishment and development of technology transfer centres, science and technology parks, either by means of the renovation or construction of premises; the establishment and development of business incubators and business innovation centres (BICs, PICs, etc.) which operate an incubator; the establishment and development of Business Angel networks.

8.77 % of the OPEI allocation is envisaged to be earmarked for this area of intervention.

The support will be provided in the form of subsidies.

The beneficiaries of the support will be entrepreneurial subjects (SMEs, possibly in justified cases also large companies), associations of entrepreneurs, collaborative structures, regional self government entities and organisations established and founded by them, public research institutions, universities and other educational institutions, non-profit organisations, public welfare institutions and the agency CzechInvest.

Within this area of intervention support will also be provided to large firms when establishing and developing cooperative sectoral and inter-sectoral structures. These firms have regional and supra-regional importance in creating cluster-type formations where a strong relation



between innovative firms, a university or other learning institution can form a basis for a tighter cooperation between enterprises (mainly SMEs) operating in a given productive sector.

Large firms will be supported to establish business incubators. The development of incubators belongs among the decisive pro-innovation and pro-growth measures. They cannot proceed without state aid to professional organisations (among which are large firms) that provide innovative firms with integrated services and are able to effectively bring together regional entrepreneurial subjects and the providers of risk capital. In the case of founding and development of the infrastructure for innovation, research and development necessary for interlinking the manufacturing industry with universities and R&D institutions, the entrepreneurial activities in most cases are highly risky. Without state aid and the participation of large firms such activities would often not be even started.

Within the OPEI this area of intervention is closely related to Priority axis 4 oriented to the support of innovations and innovative activities of firms and Priority axis 1 oriented to establishment of new firms and to the use of new financial instruments.

Within the OPEI “Platforms of Cooperation” area of support, significant support will be provided to the so-called innovative initiatives (new experimental activities – projects and approaches). The allocation of approximately EUR 1 million is planned for the pilot projects of innovative initiatives. The aim of innovative initiatives will be to support – by testing new projects and approaches – new routes to initiating private-public partnerships and science and research projects, or to transferring and implementing intra-regional and international experience and successful models, i.e., to identify those projects and approaches that are successful and that can be implemented in a greater scope in the Operational Programme’s subsequent years. The outcomes and results of these projects will not be included in the monitored indicators of the Operational Programme.

An experiment is a work method. It starts with the formation of new ideas and suggestions in the regional innovation strategy, through a discussion in which all of the relevant partners participate. Then those ideas are tested in small, short-term pilot projects. The results of those pilots will be analysed and, once the results of the analysis are known, successful activities will be further elaborated in the individual priority axes of the Operational Programme. Less successful activities will not be elaborated further, but will be analysed, which will ensure a useful overview of the problem areas in the region. A smaller team will be able to ensure the course of the entire experiment, which will comprise the preparation (or adoption) of a regional innovation strategy, in which all of the relevant partners active in the region will participate, the identification of the main themes of the experiment, project selection, monitoring, analysis, and the distribution of results.

Innovative initiatives should in effect increase the absorption capacity of investments into knowledge and innovation infrastructure, and they will thus accompany and logically supplement the entire innovative concept of the OPEI. Given the experimental nature of innovative initiatives, the planned projects will be carried out in a small scope and shorter time-frame, and only on the basis of their successful evaluation will they be deployed more broadly in the OPEI. No indicators will be tied to innovative initiatives. The direct management, planning, and coordination of innovative initiatives will be delegated to a newly established working group, comprising the representatives of the EU Funds Section of the MIT and the representatives of implementation agencies, which will fall under the responsibility of the OPEI Managing Authority. There will be close cooperation with the Ministry of Education, Youth, and Sports. The overall progress of innovation initiatives and

the results of pilot projects will be discussed at the OPEI Monitoring Committee and will be integrated in annual reports.

A pilot project using British experience in knowledge transfer (so-called Knowledge Transfer Partnership) is being prepared, which should help achieve yet closer cooperation between Czech universities and research and development institutions and enterprises, especially smaller and medium-sized enterprises focused on innovation.

### **3.5.2 INFRASTRUCTURE FOR HUMAN RESOURCES DEVELOPMENT**

The support provided in this area is oriented to improving conditions for education and development of key skills and further professional growth of business sector employees.

Justification of the area of intervention: The support for human resource development that permits the implementation of new technologies and innovations, the development of managerial skills and abilities, the upgrading of foreign language skills, the understanding of information and communication technologies and some others represent a fundamental prerequisite in order to reach and retain the competitiveness of the enterprise and service sectors. However, lack of financial sources on the side of enterprises, particularly SMEs, is a limiting factor of massive support of further education. To overcome the lack of quality process of further education of the employees, but also of the employers, is the establishment of infrastructure appropriate to these activities.

The objective of this area of intervention is to support investment into infrastructure of human resources development in companies and among the institutions that provide services to enterprises regarding further professional education. The support will be aimed primarily at acquiring or reconstructing training facilities and equipping them with training aids and programmes. The support for training infrastructure will be followed by the support for training activities in the OP HRE (under responsibility of the MoLSA) implemented in cooperation with MIT. The support is oriented to extending the capacities for education and training in individual businesses and possibly also in educational institutions and to the equipping of these facilities with adequate technical instruments which will result in an improvement of the conditions for employee training and education at all levels.

A model project for assistance in this area of intervention will be the construction or purchase of a training centre, the renovation of an existing training centre, the modernization of premises for training, the fitting-out of training premises, including teaching aids and curricula.

3.94 % of the OPEI allocation is envisaged to be earmarked for this area of intervention.

The support will be provided in the form of subsidies.

The beneficiaries of the support will be entrepreneurial subjects (SMEs, possibly in justified cases also large firms), associations of entrepreneurs, cooperative structures, regional self government entities and organisations established and founded by them, public research institutions, private educational institutions, non-profit organisations.

In addition to small and medium-sized enterprises the beneficiaries of the support provided within this area will be also large firms. It is useful if the projects within this area of intervention are realised also by larger firms, possibly through sectoral and professional associations, through establishing an association of entrepreneurs or through independent

educational organisations operating outside the sphere of formal education. Even in the case of a project realised by larger firms the SMEs remain the main users.

This area of intervention is closely related to Priority axes 1 and 2 oriented to establishing and development of firms and to PA 6 focused on supporting business development services.

### **3.5.3 BUSINESS INFRASTRUCTURE**

Within this area the support is oriented to increasing the quality of business infrastructure. In practice, it aims to support the development of commercial real estate and related infrastructure including building and further development of existing industrial parks and building halls using primarily the brownfield sites and buildings. The area concerned also focuses on supporting the knowledge and information base for the development of regional business infrastructure, on supporting the development of a commercial real estate market by training professionals, on the preparation of commercial real estate projects and on developing the regional infrastructure and information systems for the registration and support of the commercial real estate market.

Justification of the area of intervention: A precondition for the development of entrepreneurial activities in the Czech Republic is an availability of appropriate business property. Current the supply of quality commercial spaces and plots is limited and represents a constraint to further development of industry and enterprise. At the same time a large number of existing brownfield sites are not in use. They could be regenerated and used again by business. The support for the development of commercial real estate is synergistic with the measures aimed at business development.

The objective of this area of intervention is to assist in the development of a functioning commercial real estate market in the Czech Republic and to ensure an adequate supply of quality commercial real estate alongside improving the environment.

A model project for assistance in this area of intervention would be the conversion of brownfield sites into business zones, i.e. the creation of a new, or development of an existing, invested space, including the related technical and transport infrastructure; the conversion of premises from a brownfield site to business premises; the production of project documentation for a project to construct, renovate or regenerate business property or to relocate part of a company already operating in the Czech Republic, or the transfer of its production potential to another region in the Czech Republic for economic reasons (the use, for example, of the better potential of the workforce based on higher unemployment in a region) or for other reasons (e.g. the negative impact of production in a given area on the environment, necessitating the relocation of production to a place where the environmental impact will not be so great).

13.82 % of the OPEI allocation is envisaged to be earmarked for this area of intervention.

The support will be provided in the form of subsidies.

The beneficiaries of the support will be business entities (SMEs, possibly in justified cases also large firms), regional self government entities and organisations established and founded by them and the agency CzechInvest. The support within this area does not concern projects implemented by business entities for future commercial use (developer's companies for purposes of commercial lease)

Large firms will also be supported in this area of intervention, due to both the organisational and financial demands of investing in new business real estate and currently unused, dilapidated, or ecologically burdened real properties (brownfields), primarily in the most structurally challenged areas specified by the Czech government, where these brownfields in themselves do not represent economically advantageous projects. Small and medium-sized enterprises will be the main users of these developments. For projects implemented by business and public entities the option of PPP projects (Public Private Partnership) will be tested as an alternative financing solution.

This area of intervention is related to the support of establishing and development of firms (in Priority axes 1 and 2), to the support of innovation activities of the firms (in Priority axis 4) and to Priority axis 6 focused on supporting business development services.

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### Large projects

In this priority axis, large projects could potentially arise within the “Cooperation Platforms” and “Business Infrastructure” areas of support. For the time being, no such large projects are specifically identified for the first years of the 2007-2013 programming period.

### Indicators for Priority axis 5 – „Environment for enterprise and innovation“

The indicators of Priority axis 5 measure the development of infrastructure for enterprise and innovation. They evaluate the formation and development of cooperation between firms and research institutions, the formation and development of infrastructure for industrial research, technology development and innovation. The indicators also monitor the increase of training and educational capacities, company human resource development and the establishment and development of business real estate (completed investments in sites and buildings).

The target values of the below indicators reflect the anticipated interest of entrepreneurs on the basis of comparison with the implementation of analogy projects under the OPIE 2004-2006, the determined financial allocation to the OPEI and the needs of the industrial sphere related to securing the building of infrastructure for enterprise and innovation.

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line OPEI 2007/ OPIE 2006	Target value – 2015	
Number of supported projects for business infrastructure development	Output	Number of supported projects	0/278	900	ISOP
Number of projects to establish and develop cooperation between firms and research institutions	Main (Core) Output	Number of supported projects	0/88	140	ISOP
			0/5		

Of which projects submitted by large companies				30	
Number of newly established technology transfer centres and science and technology parks	Output	Number of established centres and parks	0/32	45	ISOP
Development of sites and buildings for business use.	Result	Volume of new capacities established due to the support in m <sup>2</sup> 0,000	0/117	560	ISOP
Increase in capacities for training activities	Result	Number of new seats for training	0/1 155	20 000	ISOP
Number of newly established incubators	Output	Number	0/27	40	ISOP

### Categories of expenditure within Priority axis 5

(according to Article 9, paragraph 3 of the General Regulation on the SF and the CF)

Code	Priority themes
02	R&TD infrastructure (including physical plant, instrumentation and high-speed computer networks linking research centres) and centres of competence in a specific technology
03	Technology transfer and improvement of cooperation networks between small and medium-sized businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and science and technology poles (scientific and technological parks, technopoles, etc.)
05	Advanced support services for firms and groups of firms
07	Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)
08	Other investment in firms
09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
62	Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation

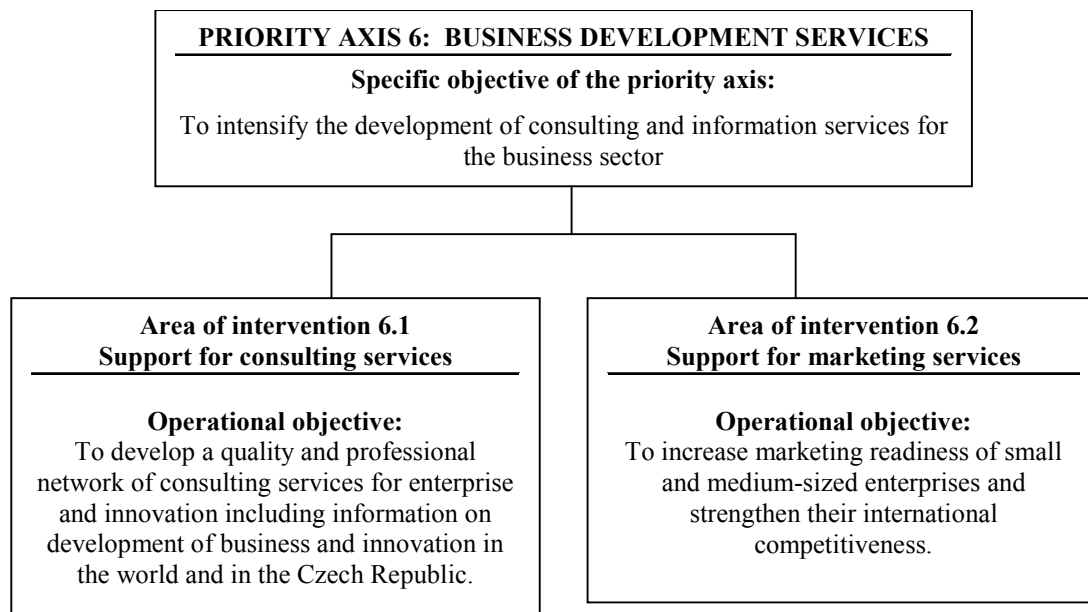
### 3.6 Priority axis 6 – „Business development services“

#### Characteristics of the priority axis

Priority axis 6 of the OPEI consists of two areas of intervention. It is oriented to the development and delivery of quality consulting and information services for companies; this applies also to seeking new business opportunities and professional preparation for strengthening the position of the Czech industry in international trade. The support will also facilitate international marketing activities of small and medium-sized entrepreneurs and will

stimulate the interest of the entrepreneurs in forms of collaboration to facilitate market access and negotiations with business partners.

The support provided within this priority axis will focus on improving the qualifications and material conditions for the development of human resources. It will also support the analyses of worldwide business trends, implementation of R&D results and innovations designed to increase the competitiveness of the Czech economy. For the most part, SMEs will be beneficiaries of aid.



## Areas of intervention

### 3.6.1 SUPPORT FOR CONSULTING SERVICES

This area will promote the supply of the relevant consulting services for businesses, especially SMEs, in connection with setting up and running a business, making innovations, and increasing its competitiveness. Assistance will also be geared towards the development and coordinated decentralization of regional consulting infrastructure based on local knowledge of enterprises' needs, their greater or lesser capacity to become involved in more complex projects without support, with the exploitation of local conditions, e.g. closeness to potential foreign customers (the National Register of Consultants, regional consulting networks). Entities with regional operations, and sufficient qualifications and facilities, such as professional associations and branch unions, the Economic Chamber and other relevant institutions, will be selected by means of calls for proposals.

At the same time, assistance will be available for analyses and the monitoring of enterprises' acute needs and world trends, with a view to updating the subsidized consulting, information and training services, especially those which drive forward the momentum behind the competitiveness of the Czech economy.

Justification of the area of intervention: On the market of the Czech Republic there is a lack of supporting industrial business services for entrepreneurs, particularly for small and



medium-sized enterprises and starting entrepreneurs for whom securing such services on their own would be uneconomic or inaccessible.

The experience of developed economies shows that the development and use of these services offers significant potential for an increase in the technical standard of products and production processes, for the organization of narrower, commercially-based relations between research, development and the business community, and for the development of foreign trade. This primarily concerns services for SMEs (external, regionally selected consulting services focusing on the establishment and development of businesses, improvements in their competitiveness and preparedness for the entry of risk capital, the introduction of innovations and reductions in the risks attached to them) and specialized services for the organization of cooperation between production enterprises and research institutions.

Model projects for assistance in consulting services will focus primarily on analysing the state of enterprises, identifying their weaknesses and strengths in the field of management and performance, defining possible remedies, encouraging their implementation and the phasing-in of new management methods; analysing global and Czech development trends influencing the innovative activity of the Czech economy and, by extension, its competitiveness; encouraging the establishment and development of a network of regional consulting points providing services to SMEs; consulting services helping technology businesses to gain foreign experience; mentoring, coaching and the obtaining of “best practice” and other consulting services for start-up innovative SMEs as a complement to the OPEI activities in the area of risk capital with the aim to build an eco-system for the development of innovative businesses and to support venture capital in the Czech Republic.

0.50 % of the OPEI allocation is envisaged to be earmarked for this area of intervention.

The support will be provided in the form of subsidies and special-rate consultancy services.

The beneficiaries will be business entities (SMEs), consulting organisations and CzechInvest.

Within the OPEI this area of intervention is related to the establishment and development of firms (in Priority axes 1 and 2), to the support for innovations and innovative activities (in Priority axis 4) and to the support of the development of cooperative structures (area of intervention “Cooperation platforms” in Priority axis 5).

### **3.6.2 SUPPORT FOR MARKETING SERVICES**

This area of intervention supports training, information services and consulting in international trade, preparing SMEs to be market ready so that they can increase their ability to compete on foreign markets and to improve the quality of Czech Republic representation abroad through joint participation of the firms at international fairs and exhibitions, exceptionally also at the most important international fairs in the Czech Republic.

Justification of the area of intervention: Access to and use of quality information is essential in helping firms to increase their competitiveness. The same applies to international trade information. Therefore it is necessary to pay attention also to the readiness of entrepreneurial subjects for their presence on international markets and thus support their competitiveness in international scale.

The objective of this area of intervention is to increase the competitiveness of small and medium-sized enterprises on foreign markets and reduce the costs related to market entry. Emphasis will be laid on grouping the firms for the purpose of joint marketing presentations

and their participation in international fairs and exhibitions. Support will also be provided for the development of the entrepreneurial environment with relation to the institutions assigned to support the international activities of firms. This applies to the development of information, skills, consulting and presentation activities which contribute to the growth of international competitiveness of companies.

A model project for assistance in this area of intervention will be the acquisition of marketing information, the purchase of promotional materials and the creation of websites or participation in exhibitions and trade fairs abroad.

1.97 % of the OPEI allocation is envisaged to be earmarked for this area of intervention.

The support will be provided in the form of subsidies.

The beneficiaries will be entrepreneurial subjects (SMEs, in the cases of joint participation of firms at international fairs and exhibitions also large firms as long as they complement the majority participation of SMEs at the event concerned) and CzechTrade.

Within the OPEI this area of intervention is related to establishing and development of firms (in Priority axes 1 and 2) and to the support of infrastructure for human resources development (in Priority axis 5).

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#### **Indicators for Priority axis 6 – "Business development services "**

The indicators of Priority axis 6 express the results of the business development support namely in the area of consulting, information and marketing services (innovational consulting, marketing presentations abroad, participation in specialised fairs and exhibitions abroad).

The target values of the below indicators reflect increased interest of the enterprise sphere in support for marketing and consulting services. These are mostly short-term projects, but their number in the programming period 2004-2006 exceeded several times the determined indicators and therefore also their fulfilment for this priority axis can be anticipated.

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line OPEI 2007/ OPIE 2006	Target value – 2015	
Number of supported business development consulting service projects	Output	Number of supported projects	0/0	550	ISOP
Number of supported innovation consulting projects	Output	Number of projects focused on innovation consulting for SMEs	0/0	20	ISOP

Number of supported international marketing projects	Main (Core) Output	Number of projects for manufacturers and service providers	0/541	1 200	ISOP
Number of attendances at specialised fairs and exhibitions	Output	Number	0/0	3 700	ISOP
Of which attendances of large companies			0/0	540	
Added value increase among supported firms	Result	%	9 %	+ 30 %	ISOP

### Categories of expenditure within Priority axis 6

(according to Article 9, paragraph 3 of the General Regulation on the SF and the CF)

Code	Priority themes
05	Advanced support services for firms and groups of firms
14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)

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The material Priority Axes 1 - 6 and areas of intervention are further classified in the OPEI into individual support programmes that are part of the OPEI's Operational Manual. Calls for applications are announced in accordance with these support programmes in successive steps in the 2007-2013 period. A list of all OPEI support programmes can be found in Annex No 1 to this document.

The listed support programmes PROGRESS, START, GUARANTEE, DEVELOPMENT, ICT AND STRATEGIC SERVICES, ICT IN ENTERPRISES, ECO-ENERGY, INNOVATION, POTENTIAL, COOPERATION, PROSPERITY, TRAINING CENTRES, REAL ESTATE, CONSULTING, MARKETING were based on Act No 47/2002 Coll. on the support of small and medium-sized businesses, as subsequently amended, stemming from approval by the Czech Government under Resolution of the Government of the Czech Republic No 50/2007. The document submitted to the government identifies fundamental objectives of individual support programmes, supported activities, conditions of project acceptability, eligible expenditures, form and amount of support and other conditions. The Minister of Industry and Trade was also authorised by this Government Resolution to change the aid conditions and amount as set forth in point I of this Resolution within his competence based on the results of their discussion with the European Commission, or, as the case may be on notification, on approved European and Czech legislation and other binding national methodologies and according to the process of their implementation, interest rates and review of the aid applicants' needs.

The calls performed during the OPEI's implementation are published in the Commercial Bulletin of the Czech Republic, on the websites of the MIT, agency CzechInvest and the CMGDB, a.s., as well as in some newspapers, such as *Hospodářské noviny* and *MF dnes*.

### 3.7 Priority axis 7 – „Technical assistance“

#### Characteristics of the priority axis

According to Articles 46 of the General Regulation on the SF and the CF, the "Technical Assistance" Priority Axis can finance activities that are aimed at the preparation of the Operational Programme, its management, implementation, monitoring, evaluation, publicity, and control.

OPEI funds for technical assistance will also pay for the costs of the meetings of the evaluation committees and the Monitoring Committee, and for activities related to the need to reinforce administrative capacities for the execution of the support from EU Structural Funds. Last, but not least, the preparation of the new programming period after 2013 will be paid from the OPEI technical assistance funds.

All of these supporting activities shall be carried out by the Managing Authority of the Operational Programme Enterprise and Innovation and by the subjects of the implementation structure to increase the effectiveness of support.

The beneficiaries of the support provided within this Priority axis will be the Managing Authority of the OPEI – the Ministry of Industry and Trade, the agency CzechInvest.

2.93 % of the OPEI allocation is envisaged to be earmarked for this priority axis.

The following **two areas of intervention** are proposed within the Priority axis "Technical Assistance":

#### 3.7.1 TECHNICAL ASSISTANCE IN THE MANAGEMENT AND IMPLEMENTATION OF THE OPEI

This area of intervention covers:

- expenditure related to preparation, selection, implementation, evaluation and monitoring of the Operational Programme;
- costs related to the meetings of evaluation committees and the Monitoring Committee of the OP including the costs of the participation of external experts;
- costs of data processing, costs of audits and checks performed at the place, costs of remuneration (including the social security contribution) of employees involved in the preparation selection, evaluation and monitoring of the Operational Programme, audits and checks aimed at increasing the absorption capacity of the managing structure of the OPEI.

#### 3.7.2 OTHER TECHNICAL ASSISTANCE

The implementation of the Operational Programme Enterprise and Innovation requires the preparation of various external studies, analyses, strategies and evaluations; their financing will be provided within this area of intervention. It will further finance the seminars, workshops, exchange of experience and information, promotion and publicity, organising

information events, processing information analyses, acquisition and implementation of computer systems necessary for the management, implementation and monitoring of the programme, preparation of programme documents for the next programming period, pilot projects and evaluations. This area will also pay special attention to the development of the capacities for evaluation.

Effective use of financial sources will be assisted by the involvement of the Managing Authority of the OPEI in project EraSME supported within the 6<sup>th</sup> Framework programme for research and technical development. The objective of the programme is, among other things, improved cooperation between the programmes of research, development and innovation of individual member states of the European Union and their administrators including joint programme announcements and the search for effective ways of drawing the sources of the Structural Funds for the support of research and development including forming hard and soft infrastructures and networking. Concentrated activities will help to interconnect innovative activities and those activities linked with transmitting best practices, experience and opportunities with accompanying activities between the member states of the European Union with the emphasis on the role of small and medium-sized enterprises including the support of an engagement in the communitarian programme Competitiveness and Innovation (CIP).

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#### Indicators for Priority axis 7 – ”Technical assistance“

The indicators of Priority axis 7 set out below monitor the carrying out of evaluations related to the process of the OPEI implementation and the carried out seminars within the OPEI Communication Strategy.

The target values of the below indicators are based on the prepared OPEI Evaluation Plan. In the case of organisation of seminars and conferences, the target value is derived from experience gained from the implementation of the OPIE 2004-2006. The target values of this priority contain the activities of the whole OPEI implementation structure.

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line OPEI 2007/ OPIE 2006	Target value – 2015	
Number of evaluation studies	Output	Number of studies	0/6	30	ISOP
Number of carried out seminars	Output	Number of seminars	0/450	700	ISOP

**Categories of expenditure within Priority axis 7**  
(according to Annex II of the Implementation Regulation)

Code	Priority themes
85	Preparation, implementation, monitoring and inspection
86	Evaluation and studies; information and communication



#### 4. EXPECTED IMPACTS OF THE OPERATIONAL PROGRAMME AND THEIR QUANTIFICATION

The framework for the measurement and quantification of programme objectives is determined by the nature of the presumed effects of the implemented activities and comply with EC methodology. The framework has three levels of indicators:

- **output indicators** - representing the extent of the activities carried out; these indicators are part of a continuous monitoring process,
- **result indicators** - characterising the direct effects of the programme on the beneficiaries,
- **impact indicators** – expressing the medium and long term effects of the programme on the social situation at which the global and specific objectives of the programme have been aimed.

Further at the programme level, **context indicators** have been specified that characterise the main determinants that influence the environment in which the programme activities are realised.

According to the methodological guidelines of the European Commission for the programming period 2007-2013 an obligatory part of the system of indicators of each operational programme are additional **main (core) indicators** at programme level and at the level of priority axes. The core indicators represent the priorities of the Community and are common for all member countries.

Key in the selection of the indicators for monitoring the fulfilment of the programme and for the evaluation of its performance and success were both the specification of the activities related to the implementation of the proposed measures and the need for a link between the system of indicators and the intervention framework stipulated by the EU for the programming period 2007-2013.

The selection of indicators emerged from requirements that these indicators have to meet in the phase of evaluation of the effectiveness and operational programme success. Therefore in addition to the relevance of the indicators in relation to the programme objectives, they also emphasise their information value regarding the key determinants of the competitiveness of the Czech economy and regarding the evaluation of the position of the Czech Republic in terms of fulfilling the strategy of sustainable growth within the EU.

The integration of both evaluation types is necessary not only for the quantification of the effects of the interventions during the programming period but also for monitoring the degree of convergence of the Czech economy's competitiveness to the level of developed countries. For the future it can be assumed that it will be possible to substantially extend this evaluation dimension and specify it more precisely using the data on the use of the results of research and development that will be provided from Czech Statistical Office (CSO), statistics of information system OPEI and Eurostat statistics.

The target values of the OPEI indicators are consistent with the NSRF relative to 2015. Interim (annual) monitoring and evaluations of Operational Programme interventions will take place within the scope of OPEI annual reports.

#### 4.1 Programme indicators

At the programme level **context indicators** have been specified. The context indicators review the characteristics of the macroeconomic environment in which the programme activities are implemented. Individual indicators have been specified in such a way as to express the level of competitiveness of the Czech economy and the factors that create the conditions for positive development of competitiveness.

Analytical use of individual context indicators in the ex-ante and also ex-post evaluation presumes that two evaluation lines will be operated simultaneously:

- evaluation of the changes and trends of individual context indicators,
- evaluation of the convergence of individual indicators with level of EU expressed as average value for the EU-25.

#### Context indicators

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line	Target value–2015	
Total labour productivity (link to Lisbon strategy)	Context	GDP in PPS per employee EU-25=100	68.3 % (2005) EU-25	75 % EU-25	Eurostat CSO
Employment rate (link to NSRF and Lisbon strategy)	Context	Employment in the age category 15-64 years (in % of labour force)	64.8 % (2005)	65.6 %	Eurostat CSO
Patent applications registered with European Patent Office (link to Lisbon strategy)	Context	Number of patent applications per 1 million inhabitants	8.2 (2004) EU-25 = 133.6 (2003)	60 % EU-25	CSO Eurostat
Overall innovativeness index (link to NSRF)	Context	European Innovation Scoreboard	0.26 (2005)	0.36	Database EIS Eurostat
Employment in knowledge services	Context	Share of employees in knowledge services in total employed as result of support in %	27.7 % (2004)	38 %	CSO
Energy performance of the economy (link to Lisbon strategy)	Context	Kgoe (1000 EUR GDP)	852 kgoe	470	CSO

The **indicators** designated for the quantification of the objectives **at the programme level** have been derived from the global objective and from the specific objectives set down by this Operational Programme. The proposed indicators express through result indicators - immediate effects of the interventions supporting the creation and development of entrepreneurial activities among small and medium enterprises, in the form of impact indicators - the synergistic effect of the interventions on high technology manufacturing industry competitiveness (sectors marked as high tech and medium tech) where higher quality demands regarding the human capital can be expected.

### Programme level indicators

Indicator	Type of indicator	Unit and specification	Quantification		Source of data
			Base line OPEI 2007/ OPIE 2006	Target value– 2015	
Number of newly created jobs Of which: -men -women (link to NSRF)	Main (Core) Result	Gross number of created job positions (FTE) generated by the programme (indicator will monitor occupations of newly created jobs with regards to the gender)	0/4 707  0/2 203 0/2 504	40 000  25 000 15 000	ISOP
Expenditures on R&D in business sector (link to NSRF and Lisbon Strategy)	Impact	Gross domestic expenditures on R&D in business sector in % of GDP	0.77 % (2005)	1.50 %	CSO
Employment in R&D (link to NSRF) Of which women	Impact	No of employees in R&D (prorated) per 1000 employed total	9.1 (2005)  5.1	10.8  7.9	CSO
Production in high-tech sector branches	Impact	Share of production in high-tech branches of manufacturing and high-tech branches of services of the business sector in total value added of the high-tech sector (%)	7.5 % (2003)	9.5 %	CSO
Number of supported projects	Output	Total number of projects supported within OPEI	0/2 251	12 500	ISOP
Additional capacity of production from renewable energy sources	Main (Core) Result	MW	0/20	275	ISOP

Indicators on the level of the programme and priorities of the OPEI have been selected such that they would correspond to the character of the goals defined in the NSRF. The indicators corresponding to the NSRF strategic goal “Competitive Czech Economy” constituted the foundation, especially those indicators expressing the effects of support for the creation of new jobs, and support for expenditures on research and development, and the development of a knowledge economy. A group of indicators expressing support for SMEs enjoys a special place in the OPEI, both in terms of support for the start-up situation of those companies and for the purchase of new technologies and overall innovation and patent activity. The indicator contained on the OPEI level – R&D Expenditures in the Business Sector – is one that represents a direct link to the Lisbon Strategy goals. In terms of their sources, the proposed indicators rely on the OPEI information system and on the official database of the CSO. The global effect of programme activities is expressed in terms of the “labour productivity in industry” which allows for evaluating the overall performance of the sector and has the advantage of wide possibilities of disaggregation into individual industry sectors and size categories.

The target values of all OPEI indicators were determined on the basis of the qualified estimate performed by the workgroup established for this purpose (consisting of the MIT professional staff, implementation agencies for the OPIE 2004-2006 and external experts). In particular the results to date of the OPIE 2004 – 2006, according to individual implemented projects and gradual fulfilment of the OPIE indicators, according to the actual implementation status were considered. Important factors affecting determination of the OPEI indicators were also the indicated interest of the enterprise sphere and last, but not least, the financial allocation to the OPEI programme that is significantly higher than to the OPIE programme and whose programming period is longer.

The monitoring of the fulfilment of the OPEI indicators is part of the OPEI monitoring system and it will be reported on a regular basis in the Annual OPEI implementation reports, including the development of the values of indicators. The Managing Authority of the OPEI prepares also qualified estimates of the values of indicators in the middle of the programming period, i.e. in 2010, when the preparation of the strategic evaluation report for the half of the programming period is envisaged. The evaluation of the resulting values of indicators will be discussed at regular meetings of the OPEI Monitoring Committee.

The tables of indicators for priority axes of the OPEI are shown in the chapters 3.1 – 3.7 that describe the scope of assistance within the individual OPEI priority axes. Indicators of priority axes will be monitored in the OPEI information system, i.e., on the basis of data provided by support beneficiaries. A request for this data from support beneficiaries will be integrated in the Conditions for the Provision of Support signed by both the provider and the beneficiary.

The indicators will be monitored annually in the OPEI monitoring process, and in Annual Reports on OPEI Implementation (see Art. 67 of the General Commission Regulation on Structural Funds) and discussed at the meetings of the OPEI Monitoring Committee. Indicators will also be evaluated in ongoing OPEI evaluation reports delivered by external providers ( see Art. 48 of the General Commission Regulation on Structural Funds).

## 5. INDICATIVE FINANCIAL PLAN

The financial allocations from the EU Structural Funds for the Operational Programme Enterprise and Innovation come from the National Strategic Reference Framework of the Czech Republic 2007 - 2013 (NSRF) and from the Government Resolution No 494 dated 10 May 2006 where the allocation for this operational programme was specified as 11.75 % of the total allocation for the Czech Republic for the programming period 2007 - 2013 to meet the “Convergence” objective. It represents the amount of € 3,041,312,546.

Through a European Commission decision identified as C(2010) that was made pursuant to Art. 17 of the Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management, an additional allocation of EUR 237.045 million was granted to the Czech Republic out of which 30%, i.e. EUR 75 854 656 was allocated to the Operational Programme Enterprise and Innovation by Government Resolution No 817 of 16 November 2010.

In 2011, the change to the OPEI concerned the reallocation of EUR 3 523 462 (co-financing from the ERDF) from the Operational Programme Technical Assistance into Priority Axis 7 “Technical Assistance” of the Operational Programme Enterprise and Operation was approved by the Czech Government Resolution No 382/2011.

The total allocation of the Operational Programme Enterprise and Innovation from the European Regional Development Fund after the increase is EUR 3 120 690 664.

The allocation of this amount into individual years of the programming period 2007-2013 and to individual priority axes of the OPEI is specified in the financial tables 15 and 16 below:

**Tab. 15 - Financial allocation for the OPEI for the period 2007-2013 (in EUR)**

PA No	Priority axis	Fund / degree of co-financing related to	Contribution of the Community	National sources	Indicative distribution of national sources		Total sources	Degree of co-financing	For information	
					National public sources	National private sources			EIB	Other sources
					A	b=(c+d)				
PA-1	Establishment of firms	ERDF/public	40 380 790	7 126 023	7 126 023		47 506 813	85.0%		36 944 473
PA-2	Development of firms	ERDF/public	812 696 903	143 417 100	143 417 100		956 114 003	85.0%		585 572 020
PA-3	Effective Energy	ERDF/public	418 989 162	73 939 264	73 939 264		492 928 426	85.0%		402 204 677
PA-4	Innovation	ERDF/public	852 346 133	150 414 023	150 414 023		1 002 760 156	85.0%		934 574 226
PA-5	Environment for Enterprise and Innovation	ERDF/public	827 841 034	146 089 593	146 089 593		973 930 627	85.0%		571 991 001
PA-6	Business Development Services	ERDF/public	77 073 953	13 601 287	13 601 287		90 675 240	85.0%		33 198 038
PA-7	Technical assistance	ERDF/public	91 362 689	16 122 828	16 122 828		107 485 517	85.0%		0
<b>Total</b>			<b>3 120 690 664</b>	<b>550 710 118</b>	<b>550 710 118</b>		<b>3 671 400 782</b>	<b>85.0%</b>		<b>0,2 564 484 435</b>

The degree of co-financing is related to public sources.



**Tab. 16 - Proposed allocation of the financial resources of the Operational Programme Enterprise and Innovation for individual years 2007-2013 (in EUR)**

	Structural funds (ERDF)	Cohesion Fund	Total
	1	2	3=1+2
2007	377 345 254	0,0	377 345 254
2008	395 906 354	0,0	395 906 354
2009	414 548 594	0,0	414 548 594
2010	434 062 564	0,0	434 062 564
2011	482 393 787	0,0	482 393 787
2012	498 322 237	0,0	498 322 237
2013	518 111 874	0,0	518 111 874
<b>Total 2007-2013</b>	<b>3 120 690 664</b>	<b>0,0</b>	<b>3 120 690 664</b>

**Tab. 17 - Indicative breakdown of the Community contribution by category (in EUR) in accordance with Annex II, Part B of the Commission Regulation (EC) No 1828/2006**

Commission reference No: CCI 2007 CZ 161 PO 004

Name of the programme: Operational Programme Enterprise and Innovation 2007 – 2013

Date of the last Commission decision of the operational programme concerned. 21/12/2011

Dimension 1 Priority theme		Dimension 2 Form of finance		Dimension 3 Territory	
Code	Amount	Code	Amount	Code	Amount
02	180 559 761	01	2 813 085 997	01	2 185 540 503
03	90 279 881	02	262 565 965	05	935 150 161
04	289 722 896	03	45 038 702	<b>Total</b>	<b>3 120 690 664</b>
05	240 974 426	<b>Total</b>	<b>3 120 690 664</b>		
06	155 827 634				
07	586 555 367				
08	528 379 307				
09	112 245 362				
11	93 712 266				
14	38 536 976				
15	105 767 220				
41	69 510 302				
42	69 510 302				
43	279 968 558				
62	122 942 810				
63	24 811 686				
68	40 023 221				
85	61 794 371				
86	29 568 318				
<b>Total</b>	<b>3 120 690 664</b>				

Note: The highlighted codes in the above table are directly connected with the interventions implementing EU priorities under Article 9(3) of the General Regulation on the Structural Funds and the Cohesion Fund (i.e. except for codes 85 and 86, the above codes of interventions are focused on implementation of the Lisbon strategy).

## 6. IMPLEMENTATION OF THE OPEI

In compliance with the General Regulation on the SF and the CF and with regard to the National Development Plan and the National Strategic Reference Framework of the Czech Republic 2007 – 2013 and relevant Czech internal regulations this chapter outlines the basic implementation principles for the Operational Programme Enterprise and Innovation.

The chapter regulates the general framework for the management, financial flows, control, monitoring, promotion and publicity and evaluation of the Operational Programme. Detailed descriptions of all relationships, responsibilities and activities of all involved bodies shall be specified in the OPEI's Operational Manual and the Manual of the EU Funds Section of the MIT.

### 6.1 Management and Implementation

The implementation of the Operational Programme Enterprise and Innovation is executed at several levels. The Managing Authority, supervised by the Monitoring Committee, is responsible for the efficient and correct management of the OPPI. The Monitoring Committee supervises the implementation of the Operational Programme and monitors efficient use of all resources within the OPPI. The Managing Authority can delegate a part of its activities or responsibilities to Intermediate bodies.

The Paying and Certifying Authority (PCA) is responsible mainly for certifying expenditures and for compiling the certificate on the expenditures and posting it together with the payment application to the European Commission. For certification purposes the PCA verifies that the management and control system functions properly at all levels of implementation. The PCA posts the resources of the SF to income accounts of the budget chapter of the state budget based on applications and other documents for certification issued by the Managing Authority. The PCA is administered by the National Fund of the Ministry of Finance.

The Audit Authority responsible for verifying that the management and control system is effective is the Central Harmonisation Unit of the Ministry of Finance.

#### 6.1.1 MANAGING AUTHORITY

In compliance with the Government Resolution No 175/2006, dated 22 February 2006, the Ministry of Industry and Trade assumes the function of Managing Authority for the Operational Programme Enterprise and Innovation.

The responsibilities of the Managing Authority are defined in Article 60 of the General Regulation on the Structural Funds and the Cohesion Fund.

**The Managing Authority** is responsible for the following activities:

- a preparation of the OPEI, discussing and submitting it to the European Commission; ensuring the compatibility of the objectives and priority axes of the OPEI with other operational programmes, the National Development Plan, the National Strategic Reference Framework and the Community Strategic Guidelines (CSG), It also organises the preliminary expert evaluation of the programme and its impact on the environment;
- b ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that during the whole implementation period, they comply with applicable Community and national rules;

- c verifying the delivery of the co-financed products and services and that the expenditure declared for operations has actually been incurred and complies with Community and national rules; on the spot verification regarding individual operations may be undertaken on the basis of a selected sample in compliance with the rules adopted by the Commission according to the procedure stipulated in Article 13, paragraph 3 of the Implementation Regulation (on-the-spot checks conducted by the Managing Authority);
- d ensuring that there is a system for recording and storing in computerised form detailed accounting records for each operation under the operational programme and that the data on implementation necessary for financial management, monitoring, control and evaluation is collected;
- e ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions related to the operation;
- f ensuring that the evaluations of the operational programme referred to in Article 48, paragraph 3 of the General Regulation on the SF and the CF are carried out in compliance with Article 47;
- g setting up procedures to ensure that all documents regarding expenditure and controls required to ensure an adequate audit trail are held in accordance with the requirements of Article 90 of the General Regulation on the SF and the CF;
- h ensuring that the Paying and Certifying Authority receives all necessary information on the procedures and controls carried out in relation to expenditure for the purpose of certification;
- i leading the Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;
- j drawing up and, after approval by the Monitoring Committee, submitting to the Commission the annual and final reports on implementation;
- k ensuring compliance with the information and publicity requirements laid down in Article 69 of the General Regulation on the SF and the CF;
- l providing the Commission with information to allow it to appraise major projects;
- m on request provides the Audit Authority with requested documents and papers for analytical purposes and reporting purposes, in particular the information that is not in the unified information system.;
- n issuing a Decision on providing a subsidy / Decision on financing a project (an action);
- o registration and monitoring irregularities and their investigation;
- p submitting estimates regarding the applications for payments for current and subsequent budget year to the Paying and Certifying Authority (in compliance with Article 76, paragraph 3 of the General regulation on the SF and CF.

## Managing Authority

<b>Managing Authority of the OPEI</b>	Ministry of Industry and Trade
Section entrusted with the function of the Managing Authority	The EU Funds Section, within the responsibility of the deputy minister for the EU funds

### 6.1.2 INTERMEDIATE BODIES

The Managing Authority of the OPEI delegates the performance of some implementation activities to Intermediate bodies. This does not affect an overall responsibility of the Managing Authority for the management and implementation of the Operational Programme. The Intermediate body is required by the Managing Authority to fulfil relevant duties towards the beneficiaries that carry out the operations. The specific distribution of responsibilities between the Managing Authority and the intermediate bodies shall be determined in writing through a binding agreement or by a unilateral act and follow-up documents (e.g. Operational manual of the OPEI). The intermediate body must have a fully functional internal control system.

The intermediate body in the implementation structure of the Operational Programme Enterprise and Innovation is the agency CzechInvest.

Providing it leads to a more effective system of implementation of the programme the implementation provisions of this chapter may be adapted as long as it respects relevant EC and national legislation.

The following responsibilities will be delegated to the Intermediate bodies:

- a cooperation in preparing manuals and guidelines for effective and correct implementation of the programme;
- b the receipt of project applications and organising calls for submitting projects and securing necessary information service for applicants;
- c assessment of completeness and formalities of submitted project applications;
- d organisation of the cooperation in the evaluation of the project applications;
- e producing documents for the issuing the decision on financing a project and their possible amendments including assessment of the amendments;
- f control of the implementation process of individual projects with the aim of verifying that co-financed products and services have been delivered and that requested expenditures have been spent in compliance with the terms of the financing agreement;
- g verification that all applications for payments submitted by a beneficiary are based on reliable accounting documentation and the system of document filing complies with an expedient *audit trail*;
- h revision of payment applications submitted by beneficiaries (in the first place verification of compliance with prescribed indicators and financial plan of the project, compliance with EC policies, assessment of eligibility of expenditures etc.) and ensuring that only eligible spent expenditures shall be submitted to the Managing Authority;

- i processing data about expenditures related to projects within the programme as basis for certification;
- j communication with support beneficiaries necessary for effective implementation of projects;
- k storing electronic data for monitoring and evaluation of programme implementation;
- l preparation of data for annual and final reports on the programme;
- m cooperation in promotion and publicity of the programme.

### **6.1.3 BENEFICIARIES**

According to Article 2 of the General Regulation on the SF and the CF the beneficiary is a public or private economic entity responsible for the initiation or performance of operations. In case of support according to Article 107 of the Treaty on the Functioning of the EU the beneficiaries are public or private enterprises implementing individual projects and receiving public support.

The beneficiaries will be enterprises, universities, territorial self-government regions, non-profit organisations, subsidised state organisations and subsidised organisations of territorial self-government regions and subjects specified for individual areas of intervention.

It is the responsibility of the beneficiaries that proposed expenditures and expenditures incurred for project implementation are eligible and that during the project the conditions of the Decision, eventually of the financing agreement stipulated by the Managing Authority shall be observed.

The obligations of the beneficiaries will be specified in detail in the conditions for the provision of support which are an inseparable part of the Decision.

The beneficiaries shall:

- a ensure proper implementation of the project according to the conditions for providing the support;
- b ensure effective management of the project in compliance with the instructions provided;
- c ensure preparation of project documentation, organisation of public tenders (public procurement contracts) according to relevant legislation and implementation of contracts concluded with selected suppliers;
- d verify invoices and their clearing with suppliers;
- e keep a separate accounting system or an adequate accounting code for all transactions related to the support;
- f establish and maintain an adequate internal control system including financial control for the whole period of project implementation;
- g submit payment applications on standard forms documenting that the detailed expenditures correspond with the project conditions / financing agreement; all payment claims must be justified with supporting documents;
- h keep project documentation and ensure accessibility of the documentation for the purposes of control carried out by authorised persons and permit them to undertake on site checks;

- i report without delay all material changes and facts that affect or are related to the fulfilling of contractual obligations;
- j fulfil obligations related to monitoring by reporting on the progress of the project;
- k ensure publicity of the project.

As far as financial instruments (loans, guarantees) under areas of intervention 1.1 and 2.1 are concerned, pursuant to Art. 2 (4) of Council Regulation No 1083/2006, the beneficiary is Českomoravská záruční a rozvojová banka, a.s. (the Czech-Moravian Guarantee and Development Bank). As far as financial instruments under area of intervention 1.2 are concerned, the beneficiary will be either the holding or the investment fund, depending on the development of Czech national legislation with respect to budgetary rules.

Pursuant to Art. 43 (33) of Commission Regulation No 1828/2006, guarantee and credit funds will be created as a separate system of accounts, i.e. a separate financial unit within CMGDB. The funds will be established based on an agreement made between the Managing Authority and CMGDB as a co-investor of the credit fund and administrator of the credit and guarantee funds. The agreement specifies in detail the amount of invested funds, CMGDB's authorisation to perform operations in individual accounts of the given fund, admissible types of fundable projects, the Managing Authority's authorisation to check CMGDB and beneficiaries, CMGDB's obligations in reporting, data archiving, observing rules in the area of public aid provision and the publicity of aid provided from the EU budget, the method of settling resources invested into the fund and other requirements specified in Arts. 43(3) and Art. 45 of Commission Regulation (EC) No 1828/2006. Requirements provided in Art. 78 (6) of Council Regulation (EC) No 1083/2006 have to be observed by the fund.

For the other financial instruments (in connection with the usage of risk capital for capital investments in innovative SMEs) within areas of intervention 1.2 and 2.1, the beneficiary shall be a holding or possibly an investment fund depending on the development of national legislation, especially in terms of the budgetary rules.

#### **6.1.4 SELECTION OF PROJECTS FOR FINANCING**

The Managing Authority is responsible for managing the system for project selection in compliance with OPEI objectives or objectives of individual priority axes. For this purpose the Managing Authority may appoint evaluation committees of independent experts who, on the basis of methodological instructions recommend the most appropriate projects for financing. The OPEI Managing Authority will take a final decision on the provision of assistance based on a recommendation from the evaluation committee, while ensuring the transparency of the selection process .

Projects to be financed shall be selected according to the criteria approved by the Monitoring Committee for individual areas of intervention.

The criteria for project evaluation and selection will include criteria common to all areas of intervention and specific criteria reflecting the uniqueness of the individual areas of intervention.

An economic evaluation of the applicant and an economic and financial evaluation of the feasibility of the submitted project will be carried out jointly for all areas of intervention. The economic evaluation of the applicant (an evaluation of financial and non-financial health, i.e. the applicant's rating) is conceived to reflect the applicant's financial and non-financial situation in the reporting period. The financial evaluation of project feasibility will then focus



directly on the project and its feasibility, primarily from the perspective of the feasibility of using own resources (including loans) to finance the project. If these criteria are not met, the project will be disqualified from further evaluation.

The specific criteria will include, in particular, an assessment of project quality, compliance with the global and specific goals of the Operational Programme (the project's influence on employment, the place of project implementation, cooperation with universities and institutions in the field of R&D, etc.), an evaluation of the benefits and technical solution of the project, the experience and qualifications of the applicant, etc.

In the case of the projects recommended by the evaluation committee for support during the past programming period that were not supported only due to lack of resources for the measure of the OP Industry and Enterprise concerned this fact can be taken into consideration under the conditions adopted by the Monitoring Committee if they are resubmitted within the OP Enterprise and Innovation. Under these circumstances the Monitoring Committee may offer partially preferential treatment regarding the timing or other appropriate aspects. In the case of those support schemes that follow up in terms of their substance on a similar support scheme from the OP Industry and Enterprise, for projects started under the OPIE, the option of continuing their follow-up stages under the OPEI (e.g. for clusters) will be considered.

Approval of large projects implemented within the Operational Programme Enterprise and Innovation is the responsibility of the European Commission. The Managing Authority is responsible for submitting the application of a large project including all information specified in Article 40 of the General Regulation on the SF and the CF. When deciding on large projects the European Commission shall proceed in compliance with Article 41 of the General Regulation on the SF and the CF.

Compliance with the project selection criteria that build on the National Strategic Reference Framework will be ensured by a deputy coordinator for economic and social cohesion policy in the Czech Republic (NCA / MRD) in the OPEI Monitoring Committee.

### **6.1.5 ADMINISTRATIVE CAPACITY**

The necessity of valid administrative structures to guarantee efficient use of the Structural Funds resources has been acknowledged and stipulated in the text of the National Strategic Reference Framework of the Czech Republic.

Sufficient administrative capacity is necessary in order to ensure not only the absorption capacity and application of formal procedures but also to spend financial resources in line with sound financial management principles.

According to the NSRF, the basis of this approach to guarantee sufficient administrative capacity is the following:

- Analysis of the MA's needs for operational programmes implementation
- Definition of functions and procedures
- Formulation of employees' profiles, jobs description
- Quality of the selection and recruitment of new employees.

Further, in line with the NSRF: *"the quality output of all functions within the implementation system of EU resources is closely related to the profile and stabilization of employees, who participate on preparation and functioning of this system. Employees of public administration*

*have to be systematically prepared several years for correct and quality execution of these activities, including learning of languages. Quality of the selection and recruitment of new employees that takes into account the best practice is an essential condition for quality human resources management. This system will be used at all implementation levels. The main objective of the improvement of the human resources management is to minimize the undesirable outflow of these well-educated and skilled employees into the private sector. This can be achieved primarily through the setting of such conditions that create the work in public administration competitive to the private sector".*

These NSRF provisions are more specified in the letter sent by Czech authorities in view of approval of the NSRF decision to the European Commission on 29 June 2007 (reference number 24 449/2007-62) in the following way:

*"Attention will be paid to systemic strengthening of the absorption capacity, including also the analysis of needs, definition of requirements, description of work posts, independent recruitment procedures, motivation system, training of the staff and the stabilisation of the staff.*

*A document called "Procedures to solve the administrative capacity to use the Structural Funds and Cohesion Fund resources during 2007-2013" was submitted to the Czech government."*

Governmental resolution No 818 of 18 July 2007 approving the above mentioned document is to be applied to the whole public administration and its implementation will be monitored by the Prime minister of the Czech Republic.

Subsequently, the above mentioned commitments have to be implemented both at the level of Managing Authority (MIT) and Intermediate Body (CzechInvest).

The MIT, aware of the significance of these issues, commissioned a special audit of all activities and links in the area of implementation of the Structural Funds at the level of the Managing Authority and the agency CzechInvest. Based on results and recommendations arising from the personnel audit, changes were made to the organisational structure at the level of the MIT (the EU Funds Section) and the agency CzechInvest in terms of strengthening administrative capacities covered from Technical Assistance resources and streamlining the management of the operational programme. The measures taken fine-tuned by final modifications as at 1 October 2007 together with follow-up measures in the area of further development of education of employees participating in the implementation of the Structural Funds should ensure efficient administration of the operational programme.

A more detailed report should specify how these commitments are to be addressed (e.g. analysis of the MA's needs, definition of functions and procedures, formulation of employees' profile, jobs description, quality of the selection and recruitment of new employees etc). Other very important issue is the support of absorption capacity of the beneficiaries and helpful approach of relevant authorities to the beneficiaries.

This implementing report will be finalised and presented during the first monitoring committee session held after the adoption of the Operational Programme Enterprise and Innovations.

## **6.2 Compatibility of the Programme with Community policies**

The Managing Authority of the Operational Programme Enterprise and Innovation shall ensure that compatibility with Community policies is assessed throughout all phases of the programme's preparation and implementation. Detailed information about the compatibility of conditions for providing support under the OPEI with Community regulations is included in the calls of OPEI programmes.

All institutions involved in the preparation of the OPEI are obligated, pursuant to the OPEI's Operational Manual, to respect the principle of the compatibility of prepared areas of intervention with Community policies.

The Intermediate Body, which participates in the selection of projects, shall, pursuant to the OPEI's Operational Manual, participate in the verification of the compatibility of procedures applied during implementation with rules applicable in the EU.

### **6.2.1 COMPLIANCE WITH STATE AID RULES**

The financial resources provided from the Structural Funds shall be regarded as public resources. Their provision means that the support is provided from public funds and therefore, it is subject to the relevant rules and regulations of the EC for state aid. Aid provided from public funds means exclusively such aid that meets all the criteria enumerated in Article 107 of the Treaty on the Functioning of the EU.

The Managing Authority shall ensure that projects financed from the Structural Funds comply with the rules for providing state aid, as specified in Article 107 of the Treaty on the Functioning of the EU. The OPEI's Managing Authority shall make sure that any and all state aid provided under this operational programme is in line with procedural and other state aid rules, applicable at the moment the state aid was provided. Such as where the aid is granted under the General Block Exemption Regulation (Commission Regulation (EC) No 800/2008) or De-minimis Regulation (Commission Regulation (EC) No 1998/2006), the Managing Authority shall ensure that the conditions of these regulations are respected and that no beneficiary who is in difficulty within the meaning of the Community Guidelines on State aid for Rescuing and Restructuring Firms in Difficulty obtains such aid. Moreover, the Managing Authority must ensure that no aid in the form of subordinated loans is provided without the notification and subsequent approval of the European Commission, since such instruments are not eligible under General Block Exemption Regulation and De-minimis Regulation.

If "de minimis" aid is provided, the provider shall inform the beneficiary of the nature of the aid and shall request a declaration on honour from the beneficiary specifying whether the beneficiary has obtained any "de minimis" aid over the last three fiscal years and if so, what the amount was.

All regions of the Czech Republic shall be supported under the OPEI with the exception of Prague. The total amount of state aid provided from the Czech Republic's and EU's resources shall not exceed limits set by the State Aid Regional Map of the Czech Republic for 2007 – 2013. Special attention shall be paid to support provided from several sources (e.g. the state budget, regional budgets, Structural Funds, etc.) so that limits set by the State Aid Regional Map of the Czech Republic for 2007-2013 are not exceeded.

State aid stemming from the OPEI is subject to the EU regulations set forth in the following table. In addition, some areas of intervention will take advantage of the Communication from the Commission on the Temporary Framework for State Aid Measures, dated 17 December 2008 that improves access to financial resources during the present financial and economic crisis (Official Journal of the European Union, C 16, 22 January 2009, pages 1-9), based on which the European Commission approved the Czech support programme entitled “The Czech Temporary Framework” – state aid N 236/2009.

**The list of Priority Axes of the Operational Programme Enterprise and Innovation and an indicative list of regulations governing exemptions from the state aid restriction:**

<b>Priority Axis</b>	<b>Regulation providing the basis for granting an exemption from the state aid restriction</b>
<b>PA – 1 Establishment of Firms</b>	<ul style="list-style-type: none"> <li>- Risk capital framework for SMEs</li> <li>- Commission Regulation (EC) No 1998/2006 (De minimis)</li> </ul>
<b>PA -2 Development of Firms</b>	<ul style="list-style-type: none"> <li>- Commission Regulation (EC) No 1628/2006 (Block exemption for regional investment support)</li> <li>- Commission Regulation (EC) No 70/2001 (SME support)</li> <li>- Commission Regulation (EC) No 800/2008 (General block exemption Regulation)</li> <li>- Communication of the Commission on the state aid in the form of guarantees</li> <li>- Commission Regulation (EC) No 1998/2006 (De minimis)</li> </ul>
<b>PA- 3 Effective Energy</b>	<ul style="list-style-type: none"> <li>- Commission Regulation (EC) No 1628/2006 (Block exemption for regional investment support)</li> <li>- Commission Regulation (EC) No 800/2008 (General block exemption Regulation)</li> <li>- Commission Regulation (EC) No 1998/2006 (De minimis)</li> </ul>
<b>PA- 4 Innovation</b>	<ul style="list-style-type: none"> <li>- Commission Regulation (EC) No 1628/2006 (Block exemption for regional investment support)</li> <li>- Commission Regulation (EC) No 70/2001 (SME support)</li> <li>- Commission Regulation (EC) No 68/2001 (Education support)</li> <li>- Commission Regulation (EC) No 800/2008 (General block exemption Regulation)</li> <li>- (Commission Regulation (EC) No 1998/2006 (De minimis)</li> </ul>
<b>PA- 5 Environment for Enterprise and Innovation</b>	<ul style="list-style-type: none"> <li>- Commission Regulation (EC) No 70/2001 (SME support)</li> <li>- Commission Regulation (EC) No 1628/2006 (Block exemption for regional investment support)</li> <li>- Commission Regulation (EC) No 800/2008 (General block exemption Regulation)</li> <li>- The Community Framework for State aid for Research and Development and Innovation</li> <li>- Article 107 (3) c) of the Treaty on the Functioning of the EU - Commission Regulation (EC) No 1998/2006 (De minimis)</li> </ul>

<b>PA – 6</b> <b>Business Development Services</b>	- Commission Regulation (EC) No. 70/2001 (SME support) - Commission Regulation (EC) No 800/2008 (General block exemption Regulation) - Commission Regulation (EC) No 1998/2006 (De minimis)
<b>PA – 7</b> <b>Technical Assistance</b>	No state aid

## 6.2.2 PUBLIC PROCUREMENT

Orders for goods, services and activities co-financed from the EU Structural Funds shall be conducted in compliance with existing Community legislation and national legislation on public procurement (Act No 137/2006 Coll., on public procurement as amended).

The Managing Authority or Intermediate Bodies shall monitor whether the beneficiaries award contracts in compliance with effective legislation of the Czech Republic and the EU regulations.

## 6.3 Monitoring

### 6.3.1 MONITORING COMMITTEE

The Monitoring Committee of the OPEI has been appointed in compliance with Article 63 of the General Regulation on the SF and the CF. The OPEI MC acts on the basis of the Statutes and Rules of Procedure.

#### Members of the Monitoring Committee

The Monitoring Committee of the OPEI is chaired by a representative of the MIT. The members of the Monitoring Committee are managerial employees of the MIT, representatives of the National Coordination Authority (MRD), Certification Authority (NF MF), OPEI implementation agencies, managing authorities of other operational programmes of the Czech Republic (OP HRE, OP Education for Competitiveness, OP RDI, OP Env.), the Ministry of Agriculture (MA of RDP), Cohesion Regions, and institutions within the partnership principle – economic and social partners (non-profit organisations, chambers, societies, and associations of entrepreneurs). Due to the close ties between the OPEI and the OP RDI, representatives of the Council for Research and Development and of the Council of Universities are also members of the OPEI MA.

On the basis of their own decision or on the initiative of the Monitoring Committee, the representatives of the European Commission can participate in the work of the Monitoring Committee with an advisory vote. The representatives of the EIB and EIF can participate in the meetings of the Monitoring Committee of the OPEI as advisors if the institutions provide financial contribution to certain measures implemented by this operational programme.

#### Tasks of the Monitoring Committee

According to Article 65 of the General Regulation on SF and the CF the Monitoring Committee is responsible for an effective and quality implementation of the operational programme:

- a) it shall consider and approve the criteria for selecting the operations to be financed within six months of the approval of the operational programme and approves all revisions of those criteria in accordance with programming needs;
- b) it shall periodically review progress made towards achieving the targets of the operational programme on the basis of documents submitted by the Managing Authority;
- c) it shall examine the results of implementation, particularly the achievement of the targets set for each priority axis and the evaluations referred to in Article 48(3) of the General Regulation on the SF and CF;
- d) it shall consider and approve the annual and final reports on implementation referred to in Article 67 of the General Regulation on the SF and CF;
- e) it shall be informed of the annual control reports and of the part of the report related to the operational programme and also of all relevant comments the Commission may make after examining that report or related parts of the report;
- f) it may propose to the Managing Authority any adjustment or review of the operational programme likely to make possible the attainment of the Funds' objectives referred to in Article 3 of the General Regulation on the SF and CF or to improve the management of the operational programme, including its financial management;
- g) it shall consider and approve any proposal to amend the content of the Commission decision on the contribution from the ERDF.

#### **Arrangements for monitoring**

1. The Managing Authority and the Monitoring Committee shall ensure a quality implementation of the operational programme.
2. The Managing Authority and the Monitoring Committee shall carry out monitoring by reference to financial indicators and the indicators referred to in Article 37 (1)(c) of the General Regulation on the SF and CF specified in the operational programme. Where the nature of the assistance permits, the statistics shall be broken down by gender and by the size of the beneficiary undertakings.
3. Data exchange between the European Commission and the Member State for this purpose is carried out electronically, in accordance with the implementing rules adopted by the Commission according to the procedure referred to in Article 103(3) of the General Regulation on the SF and the CF.

#### **Coordination Committee Competitive Czech Economy**

In order to ensure a proper coordination mechanism in the management and implementation of the Operational Programmes Enterprise and Innovation (the responsibility of the MIT) and Research and Development for Innovation (the responsibility of the MEYS), a Coordination Committee Competitive Czech Economy has been set up in line with the National Strategic Reference Framework of the Czech Republic (Chapter 11 of the NSRF “Management and Coordination of Economic and Social Cohesion Policy”), which will answer to the Monitoring Committee of the National Strategic Reference Framework (i.e., the Managing and Coordination Committee).



The coordination of the activities of the MEYS and the MIT in connection with the fulfilment of the function of the Managing Authorities of both Operational Programmes lies in the following areas:

- Ensuring a functional connection between the two Operational Programmes, and in a regular evaluation of the mutual cooperation in the management and implementation of the programmes,
- Ensuring that both Operational Programmes are tied into the Operational Programme Education for Competitiveness, and in coordinating the creation of evaluation criteria for all three Operational Programmes,
- Providing information about the selection of projects, their implementation, and ensuring that the projects discussed tie into one another in cases when a direct link between the two Operational Programmes is possible.

In order to achieve synergies between OPEI and OPRDI, the measures taken by the Coordination Committee will include, but not be limited to, the following measures.

For Priority Axes 1 and 2 of OP RDI (which should be aimed at the long-term basic direction of research), coordination and synergy between OP RDI and OPEI will be ensured as follows:

- The OP RDI Monitoring Committee will make decisions concerning special intervention areas (long-term basic directions of research), selection criteria, and calls for projects, following a discussion and the approval of the OPPI Monitoring Committee,
- Projects under the OPEI, which continue in a project financed from OP RDI, can obtain a bonus agreed to by both Managing Authorities and approved by both Monitoring Committees,
- Joint representatives in evaluation committees,
- Joint evaluator database,
- Coordination meetings of both Managing Authorities, which will be chaired by a representative of the National Authority for the Coordination of the NSRF, shall take place regularly (e.g., at least every six months).

The National Authority for the Coordination of the NSRF is responsible for the effectiveness of this coordination mechanism.

### **6.3.2 ANNUAL REPORT AND FINAL REPORT ON IMPLEMENTATION**

1. For the first time in 2008 and by 30 June each year, the Managing Authority shall send the Commission an annual report and by 31 March 2017 a final report on the implementation of the operational programme.
2. In order to obtain a clear view of the implementation of the operational programme, the reports referred to in paragraph 1 shall include the following information:
  - a) the progress made in the implementation of the operational programme and priority axes in relation to their specific and verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators referred to in Article 37 (1)(c) of the General Regulation on the SF and the CF at the level of the priority axis;

- b) the financial implementation of the operational programme, detailing for each priority axis:
- i. the expenditure paid out by the beneficiaries included in applications for payment sent to the Managing Authority and the corresponding public contribution; the total payments received from the Commission, and quantification of the financial indicators referred to in Article 66(2) of the General Regulation on the SF and the CF;
  - ii. total payments received from the Commission and quantitative evaluation of financial indicators according to Article 66(2) of the General Regulation on the SF and the CF;
  - iii. the expenditure paid out by the subject responsible for the execution of the payments to the beneficiaries;
- Financial implementation in areas drawing a transitional support shall be possibly presented separately within each operational programme;
- c) for information purposes only, an indicative breakdown of the allocation of Funds by categories, in accordance with the implementation rules adopted by the Commission according to the procedure referred to in article 103(3) of the General Regulation on the SF and CF;
- d) the steps taken by the Managing Authority or the Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:
- i. monitoring and evaluation measures, including data collection arrangements;
  - ii. a summary of any significant problems encountered in implementing the operational programme and any measures taken, including the response to comments made under Article 68(2) of the General Regulation on the SF and the CF where appropriate;
  - iii. the use of the technical assistance;
- e) the measures taken to provide information on and publicise the operational programme;
- f) information about significant problems relating to the compliance with Community law which have been encountered in the implementation of the operational programme and the measures taken to deal with them;
- g) where appropriate, the progress and financing of major projects;
- h) the use of the assistance released following cancellation as referred to in Article 98(2) of the General Regulation on the SF and the CF to the Managing Authority or to another public authority during the period of implementation of the operational programme;
- i) the cases where a substantial difference has been found according to Article 57 of the General Regulation on the SF and the CF.

The extent of the information transmitted to the Commission shall be proportional to the total amount of public expenditure of the operational programme concerned. Where appropriate, such information may be provided in summary form.

Information referred to in points d, e, h, i shall not be included if there was no significant modification since the previous report.

3. The reports referred to in paragraph 1 shall be judged admissible if they contain all the appropriate information listed in paragraph 2. The Commission shall inform the Member State on the admissibility of the annual report within 10 working days from the day of its receipt.
4. The Commission shall inform the Member State on its opinion on the content of an admissible annual report on implementation submitted by the Managing Authority within two months from the date of receipt. For the final report on the operational programme, the time limit shall be a maximum of five months from the date of receipt of an admissible report. If the Commission does not respond within the time limit laid down, the report shall be deemed to be accepted.

### **6.3.3 DATA SOURCES AND PERIODICITY OF COLLECTING DATA FOR INDICATORS**

The collection of data shall be adequate to the nature of the indicators. Input, output and result indicators shall be evaluated from the data extracted from the forms on opening and closing projects and from periodic reports by implementing agencies. Impact indicators require deeper statistical surveys. Global impact indicators at programme level are derived from regular statistical data.

The frequency of collecting indicators shall respect both the needs of monitoring and the possibilities of collecting relevant data. Collecting input indicators (financial data) and output indicators will take place biannually as in this case the data will change most frequently. Result indicators will be collected on a yearly basis (unless specified otherwise for the indicator). Impact indicators usually depend on the data from the monitored statistics of the Czech Republic.

### **6.3.4 INFORMATION SYSTEM, DATA FLOW**

The system will be based on uniform integrated data and will be used by all subjects of the OPEI implementation. The information system will meet appropriate requirements regarding security of stored data.

The information system will ensure monitoring of the following activities:

- records of drawing resources from the Structural Funds that are supposed to be covered from the means of the SF and SB designated for the national financing;
- monitoring, evaluation and control;
- communication with the National Coordination Authority (NCA) and through the NCA with the European Commission and provision of data to the monitoring table of the EC;
- monitoring data at the beneficiary level;
- connection to relevant public administration information systems;
- accomplishing monitoring indicators.

The uniform monitoring system is realized through three modules in total:

1. Central module – its task is monitoring, planning, implementing and evaluating the OPEI in terms of material, financial and procedural aspects; the central module will be able to provide data according to the needs of the EC and should enable an exchange of all relevant data with other information systems;
2. Executive module - its task is to monitor executive activities concerning the preparation and management of relevant OP's, namely selecting projects, recording projects, monitoring and evaluation from material and financial aspects at project level and reporting. It shall be implemented and operated within the MIT's responsibility by intermediate body (CzechInvest);
3. Information module - for applicants and beneficiaries - its task is to facilitate applications submitting and completion of project applications; the information module is connected with other modules of the information system; it will serve also to further communicate with beneficiaries during the implementation of the project (payment applications, reporting).

The monitoring system ISOP 7-13 is a part of the uniform monitoring system and it has been built up in a way to meet all requirements set by the methodological guidance of Ministry for Regional Development, which is the guidance for all Managing Authorities in the Czech Republic in the field of information and monitoring systems; and at the same time to meet all specific needs of OPEI Managing Authority.

The monitoring system ISOP 7-13 enables flow of the required data to the central module through technical interface and the system, at all levels of OP implementation, provides necessary data needed for management, monitoring and evaluation of programmes and projects, including regular data collection from beneficiaries for the purposes of monitoring the development of projects realization.

For the applicants' and beneficiaries' needs, as a component of ISOP 7-13, the web application eAccount has been created. The web application enables application submission and operative communication between the beneficiaries and the intermediate body. Simultaneously, the eAccount application transfers the data from the beneficiaries into ISOP-Centre, which is another component of the ISOP 7-13 system, where, at the level of intermediate body and the Managing Authority, the data acquired from the beneficiaries are processed. The data from ISOP-Centre will be directly accessible through the MSC2007.

In future, following the need of quality improvement and broadening functionality of particular ISOP 7-13 modules, and for purposes of internal OP management, the scope of data processed will be extended. Further steps for achieving fully integrated, uniform monitoring system at all implementation levels will be done in cooperation with NCA and in conformity with Methodology of Monitoring.

The system VIOLA mentioned in chapter 6.5.1 is not directly linked to the OPEI information system, since the IS VIOLA draws data from the MS Central (i.e. from the system of the Ministry for Regional Development).

## **6.4 Evaluation**

The support provided to member states from the Funds is subject to an evaluation at the level of both the National Strategic Reference Framework and individual operational programmes. Evaluations are oriented to increasing quality, effectiveness and consistency of the support from the Funds and also of the implementation of the operational programme.

The evaluation of the Operational Programme Enterprise and Innovation will be carried out in compliance with Articles 47, 48 (and partly 49) of the General Regulation on the SF and the CF. For the purpose of ensuring the effectiveness of the aid from the Structural Funds an ex-ante evaluation of the OPEI was carried out during the preparatory phase. For the purpose of an assessment of the programme development in relation to the priority axes an ongoing evaluation of the programme will be undertaken. When the programme is finished an ex-post evaluation will be carried out. The Managing Authority is responsible for the OPEI evaluation. The evaluation methodology will be determined in compliance with the instructions of the European Commission according to Article 103(2).

The activities related to the evaluation of the operational programme shall be financed within the Priority axis 7 of the OPEI - “Technical Assistance”.

### **Evaluation Plan**

Activities oriented to improving the strategy and management of the OPEI will be incorporated in the Evaluation plan, including overall evaluations for strategic reports according to Article 29, paragraph 2 of the General Regulation on the SF and the CF, ex-ante evaluation and ongoing evaluations. The plan will include also ad hoc evaluations. The plan will take into account cooperation with the European Commission in preparing the ex-post evaluation. Incorporated in the evaluation plan will be also activities oriented to improving evaluation capacities. The main items of the Evaluation plan will be proposed in coordination with the Evaluation Unit of the NCA.

The Evaluation plan is prepared for the whole programming period and it will be updated on an annual basis and worked out in more detail for the next calendar year.

It will contain an indicative list of individual evaluation activities, specification of the management structure responsible for evaluation, the planned financial allocations to individual evaluation activities, mechanism of possible revision of the Evaluation plan, specification of the content of individual activities and their working out in detail at the level of individual projects, planned financial resources (with a provision for ad hoc evaluations, etc.), indicative (monthly) time schedule of evaluation activities, definition whether a given evaluation activity is to be carried out on an internal or external basis, the manner of application of the conclusions from the performed evaluation.

Apart from the strategic evaluation report in the middle of the programming period, on-going evaluations focused in particular on the evaluation of the following thematic areas will continue to be carried out:

- Evaluation of setting and functioning of an eAccount (electronic receipt of registration applications).
- Evaluation of the functioning of the monitoring system, with focus on the analysis of the changeover from the OPIE monitoring system to the OPEI monitoring system.
- Evaluation of promotional activities targeted on the commencement of the programming period, in particular with regard to their scope, examination whether these activities are sufficiently goal-directed, chosen manner of promotion, impact on the commencement of drawdown.
- Evaluation of applications in the area of research and development.
- Analysis of the links between the OPEI and the OP RDI.
- Evaluation of the OPEI impacts on the environment.

- Evaluation of the absorption capacity within individual target groups of applicants.
- Evaluation of contribution of the SF programmes to the National Reform Plan and the Lisbon strategy.

Where the OPEI monitoring system reveals a significant departure from the goals initially set (Article 48(3) of the General Regulation on the Structural Funds), the Workgroup Monitoring will inform about this status the Workgroup for the OPEI evaluation that will ensure for the Managing Authority of the OPEI the carrying out of the evaluation of this departure. The evaluation outputs will be discussed by the Monitoring Committee of the OPEI.

Fulfilment of the Evaluation plan will be discussed by the Monitoring Committee of the OPEI on an annual basis. The OPEI evaluation will be started in 2008.

The preparation of evaluation studies will be carried out by external evaluators and covered from the OPEI Technical Assistance funds.

### **Evaluation Unit – internal evaluating capacity**

Article 48, paragraph 1 of the General Regulation on the SF and the CF stipulates the conditions required for undertaking evaluations. Evaluations at the level of the Operational Programme Enterprise and Innovation are undertaken by an authorised Evaluation Unit with the necessary knowledge of the programming cycle and evaluation procedures and that is capable of managing both the preparatory phases of the evaluations (plans and preparing commissioning including the budget) and the organisational activities during the implementation phases of the evaluations including the use of workgroups of specialists and publicising the results of evaluations.

The Evaluation Unit prepares / ensures:

- proposal of the Evaluation Plan and its yearly updates;
- implementation of the Evaluation Plan
  - preparing terms of reference for selecting external evaluator and commissioning the evaluator;
  - organising tenders for the implementation of evaluation projects;
  - creating optimum conditions for the implementation of evaluation projects and their coordination with the use of professional workgroups;
- evaluation of the fulfilment of the Evaluation Plan;
- submitting the results of evaluation activities to the Monitoring Committee of the Operational Programme Enterprise and Innovation and to the Monitoring Committee of the NSRF (through the evaluation unit of the NSRF);
- development of evaluating capacity for the Operational Programme;
- as broad as possible presentation of results of evaluation activities to responsible subjects;
- broad publicity of results of evaluation activities and dissemination of experience acquired through evaluation;
- comments on documents submitted through cooperation with other evaluation units including the NSRF.



The Evaluation Unit of the Management Authority of the Operational Programme Enterprise and Innovation supports the activities of the evaluation body of the NSRF through its participation in the workgroups and consulting groups of the evaluation body of the NSRF (workgroup and specialised groups) or through direct cooperation in preparing documents for strategic reports according to Article 29, paragraph 2 of the General Regulation on the SF and the CF.

### **Workgroup for evaluation of the OPEI, specialised groups**

The Workgroup for evaluation of the OPEI is the consulting and coordinating body for framework evaluation activities such as compiling the Evaluation Plan, developing evaluation capacities, using the results of evaluations and submitting them to the Monitoring Committee of the Operational Programme.

The Workgroup shall discuss:

- preparation of Evaluation Plan;
- updating of Evaluation Plan for the next year;
- (formal) procedures for preparing the implementation of the evaluation;
- development of evaluation capacity;
- elaboration of the Evaluation plan;
- evaluation of fulfilment of the Evaluation plan;
- the report drafts for the Monitoring Committee of the OPEI.

The Managing Authority appoints specialised groups for professional supervision of the implementation of individual evaluation projects.

Their members are elected by the Managing Authority in such a way that different viewpoints are represented. For the sake of transparency members outside the Managing Authority shall be invited e.g. partners affected by the structural action which is the object of the evaluation. A member of a specialised group is also a representative of the coordinating body at the national level – NSRF (=evaluation units of the NSRF) and optionally representatives of further authorities / operational programmes as long as connection between the evaluated areas exists.

### **The cooperation in connection with strategic evaluation including preparation of documents for reports according to Article 29 of the General Regulation on the SF and the CF**

In order to meet the evaluation requirements for Czech Republic in both preparatory and executive phases and in preparing documents for strategic reports according to Article 29, paragraph 2 of the General Regulation on the SF and the CF the Evaluation Unit will work in collaboration with the Workgroup for the evaluation of the NSRF.

### **Use and publicity of evaluation results**

The Evaluation Unit of the Managing Authority shall facilitate the use of the results of evaluation projects within the operational programme and provide them to other interested parties to learn from the experience and to the coordinating evaluation unit of the NSRF

which will place them in the central database of completed evaluations that is open to the public.

Evaluation outputs shall be publicised by the Managing Authority on the internet or elsewhere. The obligation to publicise the results of evaluating activities is stipulated by the provision of Article 47, paragraph 3 of the General Regulation on the SF and the CF.

## **6.5 Financial management and control**

Without prejudice to the Commission's responsibility for implementing the EU budget, the authorities of the Czech Republic are responsible for the financial management and control of support in the scope of the Operational Programme Enterprise and Innovation.

### **6.5.1 PAYING AND CERTIFYING AUTHORITY**

The Paying and Certifying Authority ("PCA") is appointed by the government of the Czech Republic. By the Resolution of the Government No 198 of 22 February 2006 the National Fund of the Ministry of Finance has been authorised to execute the function of Paying and Certifying Authority for the Structural Funds and the Cohesion Fund. The PCA is the only entity in the Czech Republic that carries out the tasks of a certifying authority as defined in Article 61 of the General Regulation on the SF and CF, and does not delegate functions to any intermediate body.

#### **The PCA undertakes the following activities:**

- administration of the resources provided from the Structural Funds and the Cohesion Fund on the accounts with the Czech National Bank;
- compiling and submitting requests for interim and final payments to the EC for all programmes on the basis of expenditure statements submitted by the managing authorities;
- receiving payments from the European Commission;
- on the basis of control of Overall applications submitted by managing authorities, transferring the Structural Funds' and the Cohesion Fund's resources to budget chapters;
- accounting for the PCA resources within the accounting unit of the Ministry of Finance;
- administration of the financial reporting system for the PCA resources;
- certification of incurred expenditures and compilation of certificates of incurred expenditures and submission of the certificate with a request for an interim payment or a final payment to the European Commission;
- for certification purposes, verification of the proper functioning of the management and control system at all levels of implementation;
- performing on-the-spot checks;
- creating and amending methodological instructions for the certification of the Structural Funds' and the Cohesion Fund's expenditures and for cashflows and control of the resources of the Structural Funds and the Cohesion Fund;

- returning unauthorised paid expenditures including interest to the European Commission unless decided in compliance with the EC regulations on their reallocation within the operational programme in which the unauthorised drawing occurred;
- returning unused resources to the European Commission;
- based on the assessment of the managing authorities, submitting updated forecasts regarding payment requests (expenditure outlook) to the European Commission for the given and following years by 30 April;
- proceeding in compliance with the rules of management control;
- responding to comments and recommendations by the European Commission;
- ensuring the concept and methodology of the development of the IS VIOLA (which is established strictly for the needs of the Paying and Certifying Authority) and ensures data communication with the MS Central of the Structural Funds in responsibility of the MRD;
- evaluating the drawing of allocations of the Structural Funds and the Cohesion Fund or monitoring observance of the n+2 (n+3) rule.

### **Paying and Certifying Authority**

Paying and Certifying Authority	Ministry of Finance of the Czech Republic
Department performing the Paying and Certifying Authority function	Department National Fund of the MF

## **6.5.2 FINANCIAL CONTROL AND CORRECTNESS OF FINANCING**

### **Audit Authority**

The Audit Authority is established in compliance with Article 59 of the General Regulation on the SF and the CF. By Resolution of the government of the Czech Republic No 198 of 22 February 2006 the Ministry of Finance has been entrusted as the Audit Authority. By the decree of the Minister of Finance the Central Harmonisation Unit for Financial Control (CHU) in the Ministry of Finance was entrusted as the Audit Authority being independent of the Managing Authority of the OPEI and of the Paying and Certifying Authority, as required by the Article 59, subsection 1a) of the General Regulation on the SF and the CF.

The Audit Authority is responsible for undertaking the activities listed below. While retaining its own responsibility it can delegate selected activities to other auditing bodies (so called Authorised Audit Bodies). Only one level of delegation is permitted (i.e. an intermediate subject cannot further delegate activities to another subject) on the basis of a public administration agreement in compliance with the administrative code. Based on the written agreement between the Audit Authority and the Control and Internal Audit Department of MIT (Authorised Audit Body) it is ensured that the auditing activity of the Control and Internal Audit Department is executed in the framework of competence delegated by the Audit Authority and under its supervision.

<b>Audit Authority</b>	Ministry of Finance of the Czech Republic Central Harmonisation Unit for Financial Control
<b>Address</b>	Letenská 15, 118 10 Praha 1, Czech Republic

In compliance with the provisions of the General Regulation on the SF and the CF (Article 62) and the Implementation Regulation and the Czech legal regulations the Audit Authority has the following responsibilities:

- a) undertaking an audit of readiness of the management and control system of the operational programme;
- b) prior to submitting the first request for interim payment and within 12 months from an approval of the operational programme submitting to the European Commission a report assessing the adjustment of the management and control systems of the operational programme including an opinion regarding their compliance with relevant provisions of EC legal regulations;
- c) submitting to the Commission within 9 months from the approval of the operational programme an audit strategy covering the organisations that will perform the audits;
- d) auditing the public administration in order to verify the effective functioning of the management and control system of the programme;
- e) submitting yearly to the Commission an updated audit strategy and a sampling methodology for the audit of operations and for planning the audits that ensures their inclusion of key subjects and their uniform scheduling over the whole programming period;
- f) submitting yearly to the Commission a consolidated audit plan of the resources provided from EU funds;
- g) quarterly control of fulfilment of the consolidated audit plan and informing the Paying and Certifying Authority on the fulfilment;
- h) auditing the public administration using an appropriate sample of operations for the verification of expenditures reported to the European Commission;
- i) providing methodological guidance to other auditing subjects involved in audits of public administration of the operational programme;
- j) supervising the quality of audit in public administration carried out by other auditing bodies regarding the projects co-financed from the Structural Funds;
- k) participation in compiling and updating methodological instructions for audit of public administration of the resources from the operational programme;
- l) submitting to the Commission on a yearly basis in the years 2008 to 2015 an annual report containing findings from the audits performed in the preceding year in compliance with the audit strategy as well as deficiencies found in the management and control systems of the operational programme. Information regarding audits carried out after 1 June 2015 shall be included in the final report on the control which is the basis for the declaration on closing;
- m) publishing for the Commission on a yearly basis an opinion as to whether the functioning of the management and control system provides appropriate guarantees

that the statements on expenditures submitted to the Commission are correct and that relevant transactions are lawful and proper;

- n) submitting a declaration on partial closing evaluating the lawfulness and regularity of the expenditures concerned in compliance with Article 88 of the General Regulation on the Structural Funds and the Cohesion Fund;
- o) submitting to the Commission by 31 March 2017 at the latest, a declaration on closing evaluating the validity of the request for final payment and lawfulness and regularity of relevant transactions included in the final statement on expenditures;
- p) securing that international auditing standards are obeyed in the audit activities;
- q) performing an analysis of reported irregularities for the purpose of a declaration on closing or partial closing;
- r) compiling on a yearly basis a report for the Government of the Czech republic on the results of financial controls for the operational programme;
- s) takes part in audit missions of the European Commission regarding an examination of the aspects of the management and control system that had resulted from the annual control report;
- t) collaborates with the European Commission on coordination of audit plans and audit methodology and exchanges with the Commission the results of completed audits;
- u) ensures that the Paying and Certifying Authority receives for certification purposes the results of all audits completed by the Audit Authority or on the grounds of an authorisation by the Audit Authority.

## **System of financial control**

The Ministry of Finance as the central administration body for the financial control in compliance with relevant provisions of Act No 2/1969 Coll., on establishing the ministries and other central bodies of the state administration of the Czech Republic as amended, provides methodological guidance, coordinates and ensures financial control within the framework of the operational programme. The basis for issuing methodological instructions are valid legal regulations of the Czech Republic and of the European Community.

In the control system, the system of control of public administration and management control must be distinctly separated from the system of internal audit in public administration.

## **Control in public administration (primary system)**

In compliance with the Article 60 of the General Regulation on the Structural Funds and the Cohesion Fund, the Managing Authority is responsible for the management and performance of the operational programme in compliance with the principles of proper financial management. It therefore ensures that operations to be financed are selected in compliance with the criteria of the operational programme and that throughout the entire implementation period they comply with relevant regulations of the Community and internal state regulations. The Managing Authority undertakes controls within the primary system by verifying the delivery of co-financed products and services and actual expenditures on the operations reported by the beneficiaries (in compliance with Article 13, subsection 2 of the Implementation Regulation). The Managing Authority is responsible for registration, recording and retaining book records in electronic form on each operation and collecting data required for the audit. The Managing Authority must also ensure that procedures and all

documents related to the expenditures and audits of the operational programme are available to the European Commission and to the Accounting Court for the period of three years following the closing of the operational programme.

### **Delegating responsibilities of the Managing Authority**

The Managing Authority may delegate a part of its responsibilities to an intermediate body while observing the following principles:

- delegating is possible only in writing;
- only one level of delegating is permissible (the intermediate body may not further delegate responsibilities to another body).

### **Internal control system**

All bodies participating in the implementation of the operational programme have implemented relevant management and control system complying with the national legislation and capable of identifying administrative, system or intentional errors and providing conditions for prevention of errors.

### **Management control**

is undertaken by responsible senior managers and represents a part of the internal management of all bodies involved in the implementation of the operational programme, in the preparation of the operations prior to their approval, in the monitoring of implemented operations till the final settlement and accounting and for verification of selected operations by the evaluation of the results achieved and the management efficiency .

With regard to the principles of effective management and control system it is secured that in the course of the implementation of the operational programme:

- a) the specific functions of all bodies participating in the management and control of the operational programme are unambiguously specified throughout the whole implementation system and within each body separately;
- b) the principle of separating paying, management and control functions between individual bodies involved in the implementation of the OP and the bodies themselves;
- c) unambiguous procedures for verifying correctness and eligibility of expenditures within the operational programme are specified;
- d) reliable accounting/bookkeeping systems, monitoring systems and systems of financial reporting are implemented;
- e) a system of reporting on the implementation of the operational programme and projects is in place and also a system of reports on monitoring activity;
- f) measures regarding the performance of audit and the functioning of the management and control system are adopted;
- g) such systems are implemented and procedures set down that will ensure the documents for the audit (*audit trail*);
- h) procedures are set down for reporting and monitoring irregularities and for identifying the amounts paid unjustifiably.

For each tier of the management and implementation of the OP an internal control manual exists containing a detailed description of job procedures of the activity performed.



### **Internal audit and audit of sample of operations**

The internal audit is carried out by the Control and Internal Audit Department pursuant to Ministerial Measure No 21/2007. In compliance with the agreement between the Audit Authority (CHU MF) and the Ministry of Industry and Trade, the Control and Internal Audit Department is the “Authorised Audit Body”. The Internal Audit Unit and Unit for Audit of Sample of Operations are part of the Control and Internal Audit Department.

The Control and Internal Audit Department is in the MIT structure a body functionally independent and organizationally separated from the managing and executive structures and is directly subordinated to the Minister for Industry and Trade.

In the Internal Audit Unit, members of staff have been designated to deal exclusively with the organization and performance of audits of the management and control systems of the OPEI implementation structure within the Ministry of Industry and Trade, in keeping with the relevant articles of the Implementation Regulation. These members of staff regularly check the internal control system, and their activities include checks of compliance with the basic requirements relating to the internal control system. A significant element is also the presentation of recommendations to improve the quality of the internal control system, to prevent or reduce risks, to adopt measures to rectify ascertained deficiencies, their monitoring, and consulting.

The Authorized Audit Body executes the audits of the management and control systems also on the level of the intermediate bodies.

Reports on audits of the management and control systems in compliance with the Article 62, subsection 1a) of the General Regulation regularly conducted at individual tiers of the OPEI implementation structure within the Ministry of Industry and Trade are presented to the Minister for Industry and Trade, MA of the OPEI and the Audit Authority via the Authorised Audit Body. Reports on internal audits at the level of the intermediate bodies are presented to the OPEI Managing Authority and to the Audit Authority (CHU MF). A uniform approach to auditing at all levels of implementation and the submission of reports on audit findings form the basis for risk management at the level of the Managing Authority.

The Unit for Audit of Sample of Operations is responsible for organization and implementation within the whole of the OPEI implementation structure in accordance with the relevant articles of the Implementation Regulation. Members of the Unit are also designated exclusively for this activity.

Reports on audits of sample of operations in compliance with the Article 62, subsection 1b) of the General Regulation on the SF and CF regularly conducted on all tiers of the OPEI implementation structure are submitted to the Minister for Industry and Trade, to the OPEI Managing Authority, Audit Authority (CHU MF) and to the Control and Internal Audit Department. They form the basis for an analysis of risks at the Internal Audit Unit and for risk management at the level of the Managing Authority.

Within the scope of reporting, reports on audits of the management and control systems and on audits of sample of operations serve to the Ministry of Finance, the Audit Authority (CHU), for further use. Results of such reports will be further communicated in an appropriate way to the Commission in compliance with the Article 73, subsection 1 of General Regulation on the Structural Funds and the Cohesion Fund.

## **Audit in public administration (secondary and central system)**

The Audit Authority is responsible for the performance of public administration audits at all levels of the expenditure of financial resources from the operational programme according to Act No 320/2001 Coll., on financial control in public administration as amended and in compliance with applicable regulations of the European Community (see Article 62, subsection 1a) of the General Regulation on the Structural Funds and the Cohesion Fund). Within the secondary system it verifies the effectiveness of the system of financial management and control and subsequently tests the accuracy of risky transactions in compliance with the degree of acceptable risk for the area of the primary system. Within the central system of the audit body, it verifies and evaluates adequacy and effectiveness of the performance of the primary and secondary system and executes an audit of a sample of operations on the grounds of remaining risk (in compliance with Article 62, subsection 1b) of the General Regulation on the Structural Funds and the Cohesion Fund and Article 16 of the Implementation Regulation).

### **Control carried out by the Supreme Audit Office**

The Supreme Audit Office is entitled to perform independent control as specified by relevant provisions of the Act No 166/1993 Coll., on Supreme Audit Office as amended.

### **Audit activities performed by the bodies of the European Commission and by the European Court of Auditors**

The **European Commission** is obliged in compliance with Article 72, paragraph 1 of the General Regulation on the SF and the CF to verify that within the operational programme, management and control systems have been implemented and are effectively functioning. This audit is carried out by the European Commission on the basis of annual control reports, of the opinion of the audit body on these reports and on the basis of its own audits.

The **European Court of Auditors** is responsible for the performance of stand-alone and independent controls.

### **Irregularities**

An irregularity is defined in Article 2(7) of the General Regulation on the Structural Funds and the Cohesion Fund while the details are set primarily in Articles 27 – 36 of the Implementation Regulation. Further details are specified in the Methodology of financial flows and verification of the programmes co-financed from the Structural Funds, Cohesion Fund and the European Fisheries Fund for the programming period 2007 – 2013 elaborated by the Ministry of Finance and in the OPEI's Operational Manual issued by the OPEI's Managing Authority. Once the Managing Authority validates a suspicion of an irregularity it initiates its investigation and without delay (1 month at the latest) compiles in MSSF a report on irregularity and submits it to the PCA, CHU and to the officer of AFCOS network of the relevant ministry, i.e. not only to the subjects involved in the outer phase of reporting. The contact points AFCOS decides whether the given irregularity will be submitted to the OLAF of the EC.

## **6.5.3 CASHFLOWS**

The system of cashflows describes in the Methodology of cashflows and control of the programmes co-financed from the SF/CF/EFF for the programming period 2007-2013 issued by the Ministry of Finance. The Ministry of Finance administers the resources provided by

the European Commission for financing the programmes of the Structural Funds and the Cohesion Fund of the European Union.

The resources of the Structural Funds and the Cohesion Fund will be transferred by the European Commission to the account of the Paying and Certifying Authority. Within the Paying and Certifying Authority the financial resources of the Structural Funds and the Cohesion Fund are managed by the Department of Methodology of financial management and payments.

The system of cashflows of the resources of the operational programmes will be met through the cashflow from the state budget. Pre-financing of expenditures of the OPEI that should be covered from the EU budget and co-financing of the projects from the SB will be undertaken from the budget chapter of the MIT. The resources of the Structural Funds and the Cohesion Fund will be pre-paid to the beneficiaries on the basis of submitted requests from the state budget. Request from the beneficiaries will be submitted only in CZK currency. The Paying and Certifying Authority, having received an overall request, shall pay the resources of the Structural Funds and the Cohesion Fund to the chapter of the state budget that provided the pre-financing of the means of the Structural Funds and the Cohesion Fund.

### **Financial Department of the Ministry of Industry and Trade**

The role of the Financial Department for the Operational Programme Enterprise and Innovation, as defined in the Methodology of Financial Flows and the Control of Programmes Co-financed from the Structural Funds, the Cohesion Fund and the European Fisheries Fund for the 2007 – 2013 Programming Period, issued by the Ministry of Finance, is played by the Budget and Financial Department, which is a part of the administrative section at the Ministry of Industry and Trade. The Budget and Financial Department is fully functionally independent on the Managing Authority of OPEI. In the Budget and Financial Department (B&F Department), financial flows and checks of the structural programmes are the responsibility of the Unit for the Financial Management of European Programme Payments and the Financing Unit. With respect to the drawdown of financial resources from the EU Structural Funds the B&F Department fulfils the following tasks in particular:

- a) it cooperates with the EU Funds Section of the MIT in the preparation of the OPEI manual,
- b) it conducts formal and financial controls of documents submitted by the competent departments (payment applications, decisions, declarations, etc.),
- c) it makes payments in respect of projects and programmes co-financed from the Structural Funds,
- d) it arranges for and conducts the input of data into the relevant information systems (ISOP, CEDR, ISPROFIN),
- e) it is responsible for incorporating co-financing requirements under projects and programmes into the budget heading of the Ministry of Industry and Trade,
- f) it draws up statistical abstracts and reports on the disbursement of project and programme resources,
- g) it is responsible for the filing and archiving of the relevant documents,
- h) it cooperates with the competent services in the administration and development of the information system in the field of the Structural Funds,

- i) keeps accounts of national budget payments made to subsidy schemes, including schemes co-financed from the EU Structural Funds.

### **System of cashflows of the Structural Funds and the Cohesion Fund**

Payments to the beneficiaries are performed in the form of ex-post payments (reimbursement of expenditures already realised by the beneficiary) or ex-ante payments. The decision on the form of payment to the beneficiaries within individual operational programmes is fully within the competence of the Managing Authority following an agreement with the administrator of the state budget chapter.

1. The beneficiary issues a request for payment of the resources from the state budget (corresponding with the European and national share) on the basis of realised expenditures<sup>4</sup> while the request is submitted to control and approval by the Managing Authority or by the Intermediate body;
2. The Managing Authority approves the beneficiary's request for payment and instructs the financial department (the Budget and Financial Department of the Ministry of Industry and Trade) to carry out the payment to the beneficiary's account;
3. The financial department makes the payment from the state budget (SB) to the account of the beneficiary;
4. The Managing Authority, on the basis of realised payments from the state budget issues an overall request for payment from the resources of the Structural Funds and the Cohesion Fund from the account of the Paying and Certifying Authority to the relevant chapter of the SB;
5. The Paying and Certifying Authority controls the overall requests submitted, their entry into the books (decisive date for determining the rate of exchange of the conversion from CZK to EUR is the date of book entry by the Paying and Certifying Authority) and subsequently transfers of the Structural Funds and the Cohesion Fund resources to relevant chapters of the SB;
6. Following the certification by the European Commission the Paying and Certifying Authority requests the replenishing the resources in its account;
7. The EC approves the request and remits the resources to the account of the Paying and Certifying Authority

An indicative scheme of the implementation and cashflows within the Operational Programme Enterprise and Innovation is shown in the graph at the end of Chapter 6.

## **6.6 Promotion and Publicity**

The Managing Authority is responsible for meeting the requirements of Article 69 of the General Regulation on the SF and the CF which implies an obligation of the managing authorities of operational programmes regarding publicity of co-financed programmes in accordance with implementation rules of the Implementation Regulation (Chapter II, Section 1 "Information and Communication": Articles 2 – 10 on promotion and publicity).

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<sup>4</sup> In the case of ex-ante payments to the beneficiaries, the beneficiary submits within the request for payment a list of expenditures realised from the means provided from state budget.

The Managing Authority is responsible for ensuring that potential beneficiaries/users, business and professional bodies, economic and social partners, organisations pursuing gender equality and relevant non-governmental organisations are informed of the possible support available and that the public are informed of the role of the EU in the support and on its results including the promotion of the EU logo on all possible documents. The communication strategy undertaken by the MA of the OPEI and its implementation structures is fulfilled through the following objectives:

- transparency (knowledge of potential beneficiaries regarding available support and the application procedures required for accessing the support),
- to inform all target groups about the details of the operational programmes to ensure the broadest possible dissemination of information and increase the readiness of social partners to cooperate with potential beneficiaries in preparing projects;
- to increase knowledge (awareness of the public regarding the projects realised and results achieved; regarding the role of Structural Funds and operational programme and also of the financial assistance provided by the EU).

The promotion and information measures of the operational programme must be undertaken primarily at two levels:

- ensuring awareness among potential beneficiaries, among the general public, in particular the business sector and also through the Economic Chamber of the Czech Republic and through regional economic chambers,
- ensuring the publicity by the beneficiaries during the implementation of the projects

Target groups of the communication strategy can be divided into three categories:

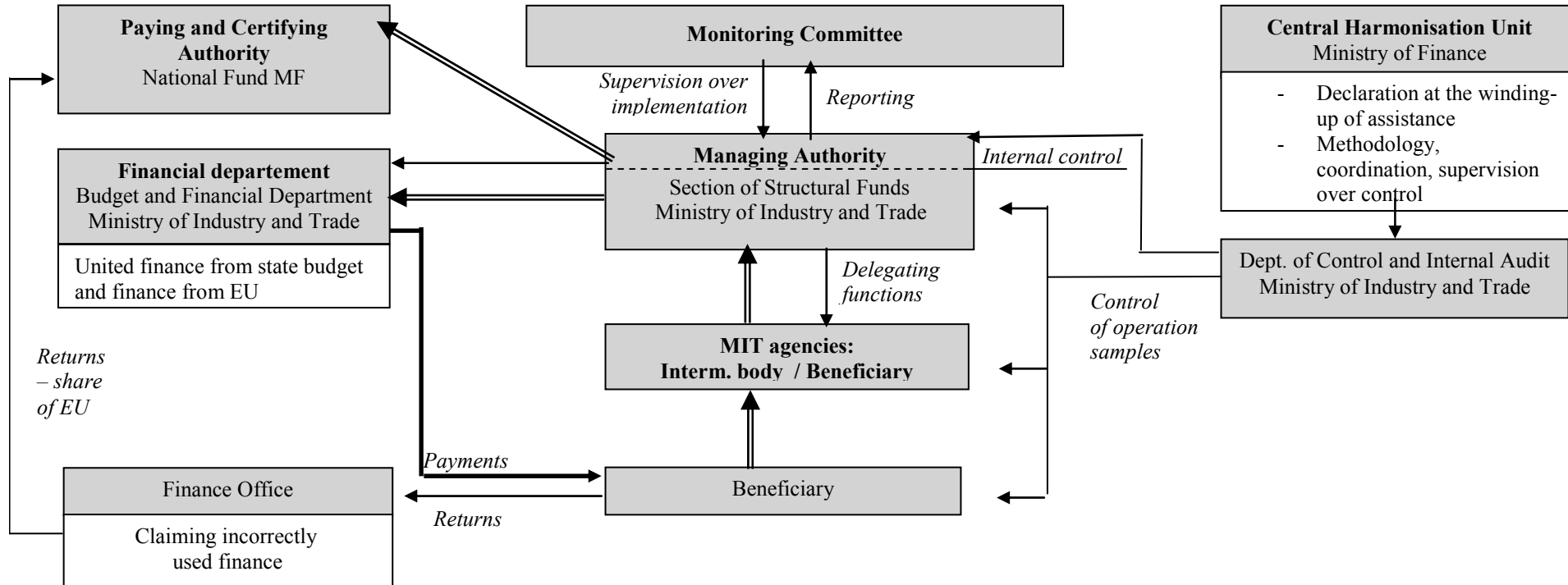
- potential beneficiaries of the aid;
- economic and social partners;
- general public – media.

The MA of the OPEI will prepare a Communication plan (CoP) of the OPEI containing details of the communication strategy for the assistance from the European Regional Development Fund consistent with the communication strategy of the National Strategic Reference Framework. The CoP shall be submitted to the European Commission as an independent document.

The MA of the OPEI should nominate a person responsible for meeting the publicity requirements at the programme level. This person is the communication officer and at the same time in charge of a workgroup coordinating promotion and information measures at the level of the implementation structure of the OPEI.

The MA of the OPEI submits to the Monitoring Committee of the operational programme the annual and final reports that contain the chapter “fulfilment of information and promotion measures” including a list of monitoring indicators for monitoring the Communication plan.

## Scheme of implementation and cashflows of the Operational Programme Enterprise and Innovation



→ *Payments*

⇒ *Aggregated applications for payments and documentation for certification of expenditures*

Note.: This scheme is only indicative; detailed characteristics of the relations between all the subjects is described in the text and will be further specified in the Operational Manual of the OPEI



## 7. EX-ANTE EVALUATION OF THE OPEI

The ex-ante evaluation of the OPEI was announced in January 2006 and organised by the Department of Structural Funds of the MIT in accordance with Article 48(2) of the General Regulation on the Structural funds and the Cohesion Fund.

The objective of the ex-ante evaluation was to review the system of allocation and use of budgetary sources of the OPEI for the purpose of its optimum adjustment and reviewing the programming quality. The project should identify eventual disparities and blank spots in the system, evaluate its potential for development of the areas on which the operational programme is focused, determine and review medium-term and long-term needs and objectives to be achieved, assess expected results, substantiate the proposed strategy from economic point of view, estimate added value of the Community, the extent to which the Community priorities are observed, learn from previous programs and quality of implementation procedures, monitoring, evaluation and financial management and control. The project should review and evaluate the synergistic effects of individual areas of intervention within the Operational Programme Enterprise and Innovation and synergies with other operational programmes proposed for the programming period 2007 - 2013.

The ex-ante evaluation of the Operational Programme Enterprise and Innovation has been undertaken on behalf of the MIT by DHV CR, s.r.o. Praha (deliverable by the end of November 2006). According to recommendations from the MRD the contract between the purchaser and the supplier of the ex-ante evaluation has been extended to cover the whole period of preparing the final programming document.

### 7.1 Ongoing results of ex-ante evaluation

The ex-ante evaluation has been carried out in parallel with forming the OPEI. The “Preliminary final report on ex-ante evaluation of the OPEI” prepared on the basis of the proposal of the Operational Programme Enterprise and Innovation for the years 2007-2013 of May 2006 stated that:

- The proposal of the operational programme has been prepared in compliance with the legislative requirements of the European Union and the structure and contents of the OPEI fully correspond with relevant methodological directions of the European Commission and the Ministry for Regional Development of the Czech Republic.
- The OPEI analysis covers the key areas that form a wider context for the development of enterprise and innovation. In a brief overview, the analysis presents selected characteristics of the current situation (2005) and linked with the past development (2000-2005). Particular attention is paid to the development of industry and trade and to enterprise development. The analysis is appropriately followed by the analysis of experience from the implementation of preceding programmes presented by way of the achievements of the OPIE.
- The introductory analysis is adequately summarised in the SWOT analysis. The issues identified in the SWOT analysis are laid out in an appropriately clear and reasoned order permitting formulation of an adequate strategic orientation of the operational programme.

The Programme with its proposed areas of intervention is evidently in accordance with the priorities of the development policy of the EU and the Czech Republic, in particular with the

Community Strategic Guidelines and the Lisbon strategy implemented in the Czech Republic through the National Reform Programme and then through the National Strategic Reference Framework, the Economic Growth Strategy and the Strategy of Regional Development of the Czech Republic.

From the point of view of the character and the order of magnitude of assumed impacts and socio-economic impacts of the planned interventions of the OPEI the ex-ante evaluator concluded that clearly generation socio-economic differentiation of the society will take place not only in terms of employment rate and personal income but also with regard to life-style, cultural orientation etc. It can be expected that the standard of living will rise also due to the OPEI. However, the effectiveness of these measures will be hindered by external factors (growth of energy prices, cost of environmental protection, solidarity with post productive citizens, international political factors, adaptation to the EURO etc.). Therefore the OPEI effects and other external factors may move in opposite directions. The effects by individual regions will also be different. Above average effects can be expected in the regions with important universities oriented to natural sciences and technology and with developed technological and transport and communication infrastructure.

It can be assumed that if the OPEI objectives are fulfilled in 2013 the Czech Republic as a whole could become one of the top ten countries of the EU in terms of business competitiveness. At the same time the ex-ante evaluator is of the opinion that the objectives of relevant EU strategies and contributions to total added value of the Community will be most likely fulfilled.

The proposed indicators at the level of priority axes of the OP Enterprise and innovation are clearly related to global and specific objectives of the OPEI.

The system of implementation, monitoring and evaluation in general ensures agreement with valid legislation. To ensure that they are obeyed in reality will require the use of appropriate control mechanisms.

The financial framework has been well arranged in form of tables and relevant instructions and recommendations of the EC have been respected. At this outline level and on the basis of available analyses of the development of industry in the Czech Republic and of the small and medium-sized sector the evaluators concluded that the percentage distribution of financial resources reflects the contents of the analysis and formulated objectives of the OPEI.

On the basis of the experience from the implementation of the OPIE 2004-06 and current exploitation of the financial sources we do not expect any significant problems with absorption capacity. In this context a positive element is a notified intention to support also large firms that do not meet the SME category criteria. In most cases they are financially solid firms that are unlikely to have any problems in co-financing their projects.

During work on the ex-ante evaluation, the relevant recommendations and comments of the author of the evaluation were reflected in the OPEI, as well as proposals for modifications and supplementations arising from the preliminary evaluation report. These concerned the formulation of the global OPEI objective, socio-economic analysis, and SWOT analysis, and their mutual ties, the structure of the Operational Programme in terms of the number and focus of the priority axes (a separate priority axis for the energy sector was recommended), indicator allocation and structure, and a more detailed description of the implementation structure and monitoring of the Operational Programme.

Recommendations and comments of the ex-ante evaluator and the opinion of the OPEI author on these comments are set out in the table below.

<b>Comments of the ex-ante evaluator raised in the course of preparation of the OPEI</b>	<b>Opinion of the OPEI author on the comments from the ex-ante evaluator</b>
For the description of priority axes and areas of intervention itself, it is recommended to include into the text clearly arranged charts showing the breakdown of individual priority axes and areas of intervention, with the specification of the relevant strategic objectives.	Accepted. The relevant charts were included into the text of chapters relating to material priority axes of the OPEI (chapters 3.1 to 3.6).
More attention should be paid also to the stabilization of enterprise, owing to the fact that there are companies which are neither start-ups nor developing ones.	This issue is partially tackled by the subprogram Advisory Services within the Priority axis 6 – Business development services.
The role of bigger companies should be evaluated, in relation to SMEs, namely with respect to their support need.	The role of bigger companies and conditions for their support were specified in the chapter 1.2.3 of the OPEI.
The document does not specify experience from the OPIE implementation.	Text on experience from the OPIE implementation was added to the OPEI – chapter 1.4.
Available private sources should be identified and included into the financial part of the OPEI.	Private sources identification was included into the chapter 5 of the OPEI.
Some modifications in analytical findings of the SWOT analysis were recommended.	Relevant modifications in the SWOT analysis were accepted and reflected in the analysis.
A modified formulation of the global objective of the OPEI was recommended.	The global objective of the OPEI was reformulated.
To be reflected in the analysis of the evaluation of impact of the Government’s innovation policy.	Reflected in the shaping of strategy and focus of the OPEI (worked out in more detail under Priority axis 4 „Innovation“).
To be reflected in the analysis of the evaluation of impact of the Government’s energy policy with special focus on renewable energy sources.	Reflected in the shaping of strategy and focus of the OPEI (worked out in more detail under Priority axis 3 „Effective energy“).
To be reflected in the analysis of the evaluation of the process of application of information technologies.	Reflected in the shaping of strategy and focus of the OPEI (worked out in more detail under Priority axis 2 „Development of firms“).

## 7.2 Final results of ex-ante evaluation

### I Evaluation of context analyses

<i>Criterion</i>	<i>Evaluation</i>
1. Are the characterisation and analytical parts and executed analyses adequate in terms of extent and orientation from the point of view of their appropriateness for further compilation of the document and should they be amended, specialised or modified?	The analysis covers all decisive areas forming a broader context for the development of enterprise and innovation in the Czech Republic. At the same time the analysis contributed to the identification of key problems and thus to the identification of priorities of the OPEI.
2. Do the analyses follow the work already completed within compiling and ex-ante evaluation of NDP and NSRF, do they avoid duplicating of the already existing analyses and have relevant completed materials been always used?	The analyses carried out follow the work executed in the process of compiling and ex-ante evaluation of the NDP and NSRF only to a limited extent – due to the fact that they were prepared in parallel.
3. Is the SWOT analysis carried out in an adequate and sufficient way in terms of its extent, orientation and details for the purpose of proposing the progress in individual priority axes and areas of intervention?	The SWOT analysis can be regarded as adequate to the requirements on programming documents for the use of financial resources from the Structural Funds. At the same time the SWOT analysis supported the identification of relevant objectives and the setting of priorities.
4. Are the identified main problems, disparities and their classification relevant in terms of the needs and appropriate as basis for formulating a strategy?	The problems have been established in an adequately clear and reasoned order and enable the formulation of an adequate programme strategy.

### II Evaluation of internal consistency

<i>Criterion</i>	<i>Evaluation</i>
1. Is the proposed strategy a relevant tool to resolve the problems and to satisfy development needs and what changes should be made to make it more effective?	The proposed strategy fully reflects the problems and needs revealed in the socio economic analysis and SWOT analysis and in this sense it is a relevant tool for addressing these problems
2. Is the strategy proposed properly – with clear priorities and objectives and can these objectives be realistically fulfilled by the use of proposed financial sources allocated to individual priorities?	The strategy is proposed properly with clear priorities and global and specific objectives and these objectives can be realistically achieved with the proposed financial sources.

<p>3. Is the strategy economically justified, does it reflect real market failures and is it properly balanced with regard to the support of economic growth and competitiveness, social cohesion and long term sustainability?</p>	<p>The strategy is economically justified and properly balanced to support the factors mentioned.</p>
<p>4. Are individual priorities and objectives of the strategy consistent, mutually synergistic and supporting each other properly and does the orientation of the strategy reflect the facts resulting from earlier analyses?</p>	<p>The priorities and objectives of the strategy can be regarded as consistent and mutually synergistic. The orientation of the strategy adequately reflects the facts resulting from previous analyses.</p>
<p>5. Does the OPEI strategy take into account a certain degree of risk and at the same time is it not overly determined by securing the easiest way of spending the resources?</p>	<p>The OP takes into account the risks resulting from not providing the requested financial support.</p>
<p>6. Do the planned interventions represent an efficient and effective tool for resolving identified problems and achieving the objectives set?</p>	<p>The planned interventions can be an efficient tool for resolving identified problems and achieving the set objectives in the sense of the categorisation of the aid from the Structural Funds of the EU.</p>
<p>7. Does the proposed financial framework correspond with the given orientation of priorities and objectives of the operational programme and is it at the same time sufficiently realistic with regard to the absorption capacity of the Czech Republic?</p>	<p>The proposed financial framework fully corresponds with the needs given by the orientation of the priorities and objectives of the operational programme.</p>

### III Evaluation of outer coherence

<i>Criterion</i>	<i>Evaluation</i>
<p>1. Does the strategy really contribute to meeting the objectives of the NDP and NSRF and have its priorities and objectives been set in accordance with the strategies of other programming documents 2007-2013?</p>	<p>With their proposed activities the priorities are interrelated with all strategic objectives of the NSRF. It can also be stated that the priorities and objectives of the OP have been set in cooperation with the strategies of other programming documents 2007-2013.</p>
<p>2. Is the strategy in accord with relevant sectoral, regional and territorial policies and documents and does it contribute to fulfilling the Economic Growth Strategy?</p>	<p>The coherence with relevant development documents of the Czech Republic is clearly demonstrated in the operational programme. The degree of coherence is affected by the orientation of the OPEI. In this regard, a clear linkage of the OPEI with the priorities of the development policy of the Czech Republic can be observed.</p>
<p>3. Is the strategy coherent with relevant strategic documents of the EU (CSG, Lisbon strategy)</p>	<p>There is a tabular demonstration in the OP by which specific objectives of the OPEI individual</p>

and have its priorities been set in such a way that the realisation of the operational programme contributes to fulfilling the objectives set by the EU strategy?

priorities of the development policy of the EU will be fulfilled. It is possible to state, with regard to the orientation of the document, a high degree of coherence of OPEI priorities with the documents concerned.

#### IV Evaluation of direct and indirect impacts

<i>Criterion</i>	<i>Evaluation</i>
1. What direct and indirect results and impacts of operational programme interventions can be expected as far the development of employment and the knowledge economy is concerned?	The concept of the OPEI unambiguously implies that it is oriented to the knowledge economy. The expectations will be met under the condition that a more “favourable” legal environment is created on one hand reducing administrative demands on companies and on the other hand strengthening intellectual property rights of subjects registered in the territory of the Czech Republic.
2. Are the relations between the indicators of outputs, results and impacts logical and are they oriented to fulfilling the objectives of relevant European policies and strategies?	Proposed indicators of outputs, results and impacts at the level of priorities are clearly related to global and specific objectives contained in the proposed operational programme and it can be stated that they are oriented to fulfilling the objectives of relevant European policies and strategies.
3. How are the objectives defined or how should they be defined and what values should be planned at individual strategic levels of the priorities of proposed interventions of the operational programme?	The objectives according to the opinion of the evaluator have been defined properly. Also the list of indicators has been selected appropriately and express defined objectives, outputs, results or impacts. The values at individual levels of priorities are rather lower and based on realistic assumptions.
4. What is likely to happen if the proposed interventions are implemented?	It can be assumed that if the objectives of the OPEI are fulfilled in 2013 the Czech Republic could become one of the top ten EU countries in terms of the performance of the business sector.
5. What will be the character and order of magnitude of the assumed results and socio-economic impacts of proposed interventions of the OP on the country and on the socio-economic sphere in the Czech Republic?	Most probably a generational socio-economic differentiation of the society will take place not only in terms of employment, personal income but also with regard to life-style, cultural orientation etc. It can be expected that the standard of living will increase besides no only due to the OPEI. However the efficiency of these measures will be slowed down by external factors (growth of energy prices, cost of environmental protection, solidarity with inhabitants in post productive age, international



	<p>political factors, adaptation to EUR etc.). Therefore the impacts of the OPEI and those of other external factors may not work in the same direction. The effect will be different by region. Above average effects can be expected in the regions with important universities oriented to natural sciences and technology and with developed technological and transport and communication infrastructure.</p> <p>A further question is how much practical and concrete examples of realised interventions (OPEI) will “motivate” other entrepreneurial subjects to follow and how successfully innovationally interrelated strategic moves in the whole socio-economic spectre will be created.</p>
<p>6. What is the expected contribution of the completed interventions in terms of created jobs, contribution to fulfilling the objectives of relevant EU strategies and total added value to the Community?</p>	<p>Naturally a number of micro firms and entrepreneurs without any employees will be established. We are of the opinion that this is the course of the employment growth derived from the growth of “real” entrepreneurial subjects (firms, corporations). In this context we believe that the growth of employment will take place in entirely new sectors.</p> <p>The objectives of relevant EU strategies and total added value to the Community will most likely be fulfilled.</p>

## V Evaluation of the implementation system

<i>Criterion</i>	<i>Evaluation</i>
<p>1. Which bodies are involved in the creation and implementation of the OP?</p>	<p>The operational programme specifies the managing authority including a description of the activities that will be carried out, the intermediate bodies, the Paying and certifying authority and the audit authority.</p>
<p>2. Is the proposed implementation system transparent, effective, adequate and appropriate to the needs of successful implementation of the operational programmes in particular in terms of the capacity of human resources, relative costliness, securing of co-financing and cashflows?</p>	<p>The implementation system is described transparently and the capacities for the implementation of the operational programme appear to be sufficient. Also from the point of view of the costliness, securing co-financing and cashflows the system appears to be well arranged.</p>
<p>3. How clearly defined are the management responsibilities and procedures with regard to resolving non-standard situations and risk</p>	<p>The powers, responsibilities, ways of management and procedures are clearly defined in the implementation system. Also adequate</p>

prevention?	structures for the management, monitoring, evaluation and publicity of the operational programme have been proposed.
4. How does the system reflect the experience from the previous programming period and the recommendations of the evaluators regarding modifications of the system in order not to repeat the earlier imperfections and on the other hand not to generate new risks?	From the point of view of presented experience from the implementation of the OPIE in the years 2004-2006 it can be stated that the OPEI responds to some negative experience from previous programming period and is trying to prevent them and eliminate possible risks.
5. How could the proposed implementation, monitoring and evaluating structures be best adapted, modified or improved?	The evaluator points out that in further work on the implementation process the fundamental principles of the selection of the projects should be specified and all distribution mechanisms should be defined.

## 8. SEA EVALUATION OF THE OPEI

The assessment of the OPEI from the viewpoint of impacts on the environment is executed in compliance with Act No 100/2001 Coll., on Environmental Impact Assessment and on the amendment of some related acts (Act on Environmental Impact Assessment) as subsequently amended. The act transforms into the Czech legislation the provisions of the Directive 2001/42/EC of the European Parliament and of the Council on the assessment of the effects of certain plans and programmes on the environment.

The Act No 114/1992 Coll., on Protection of Nature and Landscape, further stipulates an obligation to determine if the realisation of the concept affects the areas of the special protection statute (Natura 2000) and if so, to what extent and what measures should be taken.

Therefore the objective of the SEA - in compliance with the legislation of the Czech Republic and the legislation of the EC – was to review the impacts of the realisation of the Operational Programme Enterprise and Innovation on the environment and public health including evaluation of impacts on the locations of the Natura 2000 system with emphasis on the evaluation of the impact of its realisation on sustainable development in the meaning of the Lisbon strategy and of the objectives of the cohesion policy of the European Union.

An announcement of the concept, prepared according to the requirements of Annex 7 of the Act No 100/2001 Coll., on Environmental Impact Assessment, as amended by Act No 93/2004 Coll., was submitted to the Ministry of Environment (MoE) on 7 March 2006. Inquiry proceedings commenced on 16 March 2006 by way of public notification in the Information system SEA and by circulating relevant administrative bodies and relevant self government units. The inquiry proceedings terminated on 21 April 2006 with the issuance of the conclusions of the inquiry proceedings.

The proposed concept including the assessment of the effects on the environment was submitted to the MoE on 9 June 2006 and after a control of requisites it was publicised in the Information system SEA and distributed to relevant self governing units. Public hearing of the proposed concept including the evaluation of the impacts on the environment was held on 11 July 2006 at the MIT in Prague. Beyond the bounds of law the MIT in cooperation with the assessor organised an introductory public seminar on 29 March 2006 at the MIT in Prague.

General public was invited to these hearings including organisations, institutions and initiatives engaged in environmental protection pursuant to Article 6(4) of the Directive 2001/42/EC of the European Parliament and of the Council, e.g. Děti země (Children of the Earth), Hnutí duha (Rainbow Movement) etc. These organisations didn't mention any suggestions. The minutes of the meetings form part of the SEA documentation.

For the purposes of raising the awareness of the public about the preparation and assessment of the OPEI and involvement of the public in this process the author of the SEA created a web site (see [www.reccr.cz](http://www.reccr.cz)) where drafts of the OPEI, assessment outputs and other relevant documents were published on an ongoing basis. Interested parties were also given the opportunity to register themselves for an e-mail conference discussing the SEA OPEI and send to the author of the SEA their questions or comments.

The relevant documents (in accordance with the requirement of the Act on Environmental Impact Assessment) were published gradually also by the Ministry of Environment through the SEA information system (see [www.env.cz](http://www.env.cz))

The published draft of the OPEI and the final version of the documentation of the assessment of impacts of the OPEI were in accordance with the Act on Environmental Impact Assessment and the Directive 2001/42/EC of the European Parliament and of the Council discussed during the aforementioned two public hearings, in the course of which questions and comments from the public were discussed. The Managing Authority in the course of modifications of the OPEI accepted relevant comments arising from these hearings (this was e.g. the suggestion to pay more attention to the use of brownfields when building the business infrastructure, to pay sufficient attention to the issues of the management of the use of energy and use of renewable energy sources as basic factors for future development of enterprise, to consider the option of treating separately the issue of environmentally friendly power generation under a separate axis, etc.).

On 16 August 2006 the Ministry of Environment issued an approving statement regarding the proposed concept of the “Operational Programme Enterprise and Innovation for the years 2007-2013”. The document of the MOE No 58873/ENV/06 is attached as Annex 2.

After issuing an approving statement it was proposed to incorporate into the concept selected environmental criteria from the recommended set contained in the Evaluation of the concept under Act No. 100/2001 Coll., on Environmental Impact Assessment, as amended, including the assessment of impact of the concept on important European localities and bird zones under Act No. 114/1992 Coll. on nature and landscape protection, as amended. For this purpose, the following indicators that are included in the annex to the OPEI’s Operational Manual have been chosen. These are indicators in the area of intervention 3.1 Energy savings and renewable energy sources (number of supported projects focused on reducing energy intensiveness, number of supported projects focused on increasing the capacities for power generation from renewable sources, power generation from renewable energy sources, heat generation from renewable energy sources) and the area of intervention 5.3 Business infrastructure (area of regenerated sites for business purposes, floor area of refurbished buildings).

These indicators are incorporated in the OPEI monitoring system. The results of fulfilment of these indicators will be reflected in annual reports on the OPEI and the overall impacts of the OPEI implementation on the environment will be assessed in the OPEI evaluation reports that will be published on web sites of the MIT ([www.mpo.cz](http://www.mpo.cz))

The author of the SEA evaluation submitted the following documents to the OPEI Managing Authority, concerning the course of assessment of the impact of the OPEI on the environment and public health, including an evaluation of its impact on sites in the Natura 2000 system:

- Assessment of the concept under Act No. 100/2001 Coll., on environmental assessment, as amended, including assessment of the concept impact on bird sites and sites of European significance, in accordance with Act No. 114/1992 Coll., on nature and landscape protection, as amended (hereinafter only as “Assessment of the Concept”)
- Approval of the Ministry of the Environment
- Final report of the project

The Final "Assessment of the Concept" has been published together with other documents relating to the SEA of the OPEI on the web site of the Ministry of Environment and within

the EIA/SEA Information System (<http://eia.cenia.cz/sea/koncepce/prehled.php>) for the purposes of the authorities that had been consulted in compliance with Article 6(2) of the Directive 2001/42/EC of the European Parliament and of the Council.

The Chapters 13 and 14 and the Annex 1 of the "Assessment of the Concept" summarise according to Article 9(1)(b) of the above-cited Directive how environmental considerations have been integrated into the OPEI and how the SEA including opinions of the authorities and the public pursuant to Article 6(2) of this Directive have been taken into account during preparation of the OPEI. For instance, following recommendations of the SEA and the consulted authorities' opinions have been incorporated in the OPEI:

1) Recommendations on the OPEI content:

- Give maximum support to the positive trends concerning penetration of high-tech productions with high value added and to providing dematerialised services, reducing energy and raw material consumption in the Czech Republic.
- Within effective energy management, the OPEI cannot support direct energy utilisation of wastes. This would result in subsequent direct (emission) and indirect (transport) environmental damage and it is in conflict with the need to reduce material demands of industrial production.

2) Recommendations on the OPEI strategic orientation:

- The Section 2.2 was modified consequently: Improving business infrastructure, especially through development of modern business real estates equipped on European level, with preferential orientation to regeneration and preferential use of brownfields. Support to development of scientific and technical parks, technology transfer centres and other infrastructure for research and development, focusing predominantly on activities of innovating enterprises. (...) Effective use of all energy sources and raw materials aimed at maximum savings of fossil sources through energy savings in processing industry, especially in the most energy-demanding sectors, energy savings in power generation and reducing loss in electricity and heat distribution, using potential of renewable and/or secondary sources (but except the support to combustion plants) and alternative fuels.

The Managing Authority will compose the statement pursuant to Article 9(1)(b) of the Directive 2001/42/EC of the European Parliament and of the Council after the OPEI final approval by the European Commission. The document will be published on the web page of the Ministry of Industry and Trade. Based on further consultations with the Ministry of Environment, it will be also distributed to all relevant authorities involved in the SEA process for the OPEI and published in the SEA Information System operated by the Czech Environmental Information Agency (CENIA).

## 9. LEGISLATION

### Legislation and strategic documents of the European Union:

- Treaty establishing the European Community
- Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999
- Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999
- Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999
- Council Regulation (EC) No 1084/2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No 1164/94
- Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC)
- Commission Regulation (EC) No. 1828/2006 of 8 December 2006 setting out rules for the implementation of the Council Regulation No. 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of the Regulation (EC) No. 1080/2006 of the European Parliament and the Council on the European Regional Development Fund (Implementation Regulation)
- Community Strategic Guidelines, 2007–2013
- Guidelines On National Regional Aid for 2007-2003 (2006/C54/08),
- Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty
- Commission Regulation (EC) No 68/2001 of 12 January 2001 on the application of the Articles 87 and 88 of the EC Treaty to training aid
- Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty
- Community Guidelines on state aid to promote risk capital investments in small and medium-sized enterprises (2006/C 194/02)
- Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises
- EC framework for State Aid for Research, Development and Innovation (8 Sept 2006)
- Block exemption for Regional Investment Aid
- Council Regulation (EC) on de minimis aid



- Community Guidelines on State Aid for Environmental Protection (2001/C37/03)
- Directive 2001/42/EC of the European Parliament and of the Council on the assessment of the effects of certain plans and programmes on the environment

#### **Legislation and strategic documents of the Czech Republic:**

- Act No 218/2000 Coll., on the Budgetary Rules as amended
- Act No 320/2001 Coll., on Financial Control in Public Administration and Amendments to Some Acts as amended
- Act No 137/2006 Coll., on Public Procurement
- Act No 250/2000 Coll., on Budgetary Rules of Regional Budgets
- Act No 47/2002 Coll., on Support of Small and Medium-Sized Enterprises and on the amendment of the Act No 2/1969 Coll., establishing Ministries and other Central State Administration Authorities of the Czech Republic, as amended
- amended Act No 248/2000 Coll., on Support to Regional Development as amended
- Act No 100/2001 Coll., on Assessment of impacts on the environment and on the amendment of some related acts (Act on Assessment of impacts on the environment) in the wording of Act No 93/2004 Coll.
- Act No 252/1997 Coll., on agriculture as amended
- Resolution of the Government of the Czech Republic No 245/2005 of 2 March 2005 on the progress of preparations of the Czech Republic for drawing on the EU funds and the Cohesion Fund for 2007-2013
- Resolution of the Government of the Czech Republic No 175/2006 of 22 February 2006 on the proposal of the National Development Plan of the Czech Republic for the years 2007-2013
- Resolution of the Government of the Czech Republic No 198/2006 of 22 February 2006 on drawing on the financial means from the Structural Funds and the Cohesion Fund of the EU in the years 2007-2013
- Resolution of the Government of the Czech Republic No 494/2006 of 10 May 2006 on the European sources in the years 2007-2013
- Resolution of the Government of the Czech Republic No 821/2006 of 28 June 2006 on the progress of the preparation of the operational programmes for drawing on the financial means from the Structural Funds and the Cohesion Fund of the EU in the years 2007-2013
- Government Resolution No 818 of 18 July 2007 on the procedure to handle the administrative capacity for the disbursement of the resources of the Structural Funds and the Cohesion Fund in the 2007 – 2013 period
- Government Resolution No 1008 of 5 September 2007 on the Monitoring System of the EU Funds for the programming period 2007-2013 in the Czech Republic
- Economic Growth Strategy of the Czech Republic approved by the Resolution of the Government of the Czech Republic No 1500 of 16 November 2005

- National Innovational Policy of the Czech Republic for the years 2005-2010 approved by the Resolution of the Government of the Czech Republic No 851 of 7 July 2005
- National Development Plan for the years 2007-2013 acknowledged by the Resolution of the Government of the Czech Republic No 175 of 22 February 2006
- National Strategic Reference Framework of the Czech Republic 2007-2013 acknowledged by the Resolution of the Government of the Czech Republic No 684 of 7 June 2006
- National Reform Programme approved by the Resolution of the Government of the Czech Republic of 15 October 2005
- Regional development Strategy approved the Resolution of the Government of the Czech Republic No 560/2006 of 17 May 2006
- Regional development policy of the Czech Republic approved by the Resolution of the Government of the Czech Republic No 561/2006 of 17 May 2006

**Conceptual documents of the MIT:**

- Industrial Policy of the Czech Republic
- Energy Concept of the Czech Republic
- Concept of the Support of SMEs
- Raw material Policy of the Czech Republic

**Conceptual studies ordered by the MIT for the preparation of the OPEI:**

- Conceptual aims of the development of small and medium-sized enterprises 2007-2013 (September 2005)
- Study on securing the needs of financing the development of knowledge economy in the Czech Republic aimed to the innovation for further programming period 2007-2013 (November 2005)
- “Analysis of Services for Industry” (November 2005)
- Study „Fundamental grounds, orientation and characteristics of the operational programme of the Ministry of Industry and Trade for a new programming period 2007 – 2013” (January 2006)

## 10. LIST OF ABBREVIATIONS

AFCOS	Anti-Fraud Coordinating Structure
BAT	Best Available Techniques
BIC	Business Innovation Centre
BIC	Business innovation centre
BaF	Budget and Financial Department of the MIT
c.p.	current prices
CEDR	Central Evidence of supports granted from national budget
CENIA	Czech Environmental Information Agency
CF	Cohesion Fund
CHU	Central Harmonisation Unit
CMZR Bank	Czech-Moravian Guarantee and Development Bank
CNB	Czech National Bank
CoP	Communication Plan
CSG	Community Strategic Guidelines 2007-2013
CSO	Czech Statistical Office
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EC	European Community
EC DG ECFIN	Directorate General for Economic and Financial Affairs
EFF	European Fisheries Fund
EGS	Economic Growth Strategy of the Czech Republic 2005-2013
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIF	European Investment Fund
EMAS	Eco-Management and Audit Scheme
EMS	Environmental management systems
EPC	Energy Performance Contracting
EPO	European Patent Office
ERA	European Research Area
ERDF	European Regional Development Fund

ESC	Economic and social cohesion
ESF	European Social Fund
EU	European Union
EUROSTAT	Statistical Office of the European Communities
GDP	Gross domestic product
GJ	Giga joule
GWh	Gigawatt hour
ICT	Information and communication technology
ILO	International Labour Organisation
IMD	International Institute for Management Development
IMF	International Monetary Fund
IPO	Industrial Property Office
IPPC	Integrated Pollution Prevention and Control
ISOP	Information system for operational programme
ISPROFIN	Information system of programme financing
JEREMIE	Joint European Resources for Micro to Medium Enterprises
Kgoe	Kilogram of oil equivalent
MA	Managing Authority
MC	Monitoring Committee
MEYS	Ministry of Education, Youth and Sports
MF	Ministry of Finance
MIT	Ministry of Industry and Trade
MoA	Ministry of Agriculture
MoE	Ministry of Environment
MoLSA	Ministry of Labour and Social Affairs
MRD	Ministry for Regional Development
MS Central	Monitoring System Central
MT	Ministry of Transport
MWi	installed power in Megawatts
NCA	National Authority for the Coordination of the NSRF
NDP	National Development Plan of the Czech Republic 2007 - 2013
NF MF	National Fund of the Ministry of Finance

NRP	National Reform Programme
NSRF	National Strategic Reference Framework
NUTS II	Cohesion region
OECD	Organisation for Economic Cooperation and Development
OP	Operational programme
OP EC	Operation programme Education for Competitiveness
OP RDI	Operational Programme Research and Development for Innovations
OPE	Operational Programme Environment
OPEI	Operational Programme Enterprise and Innovation
OPHRE	Operational Programme Human Resources and Employment
OPIE	Operational Programme Industry and Enterprise
PA	Priority axis
PCA	Paying and Certifying Authority
Pp	percentage point
PPP	Public Private Partnership
PPS	Purchasing power standards
R&D	Research and development
RDP	Rural Development Programme
REACH	Registration, Evaluation and Authorisation of Chemicals
RES	Renewable energy sources
ROP	Regional operational programme
RTD	Research and Technological Development
SB	State budget
SCEA	Sectoral classification of economic activities
SEA	Strategic Environmental Assessment
SF	Structural Funds
SME	Small and medium-sized enterprises
SWOT	SWOT analysis
TA	Technical assistance of the OPEI
UNESCO	United Nations Educational, Scientific and Cultural Organization

## 11 ANNEXES

**Annex No. 1 The structure of the Operational Programme Enterprise and Innovation 2007 - 2013**

**Annex No. 2 The opinion of the Ministry of Environment of the Czech Republic according to Act No 100/2001 Coll., on Assessment of impacts on the environment and on the amendment of some related acts in the wording of Act No 93/2004 Coll., regarding the proposed concept of the “Operational Programme Enterprise and Innovation for the Years 2007-2013”**



**Annex No. 1 The Structure of the OPEI 2007 – 2013**

Priority Axis	Area of intervention Support programme	Aid beneficiaries		
		SMEs*	LEs*	Other
1. Establishment of Firms	<b>1.1 Support to new entrepreneurs</b>			
	Start	X		X
	<b>1.2 Use of new financial instruments</b>			
	Financial instruments	X		X
2. Development of Firms	<b>2.1 Bank instruments for the support of small and medium-sized enterprises</b>			
	Progress	X		X
	Guarantee	X		X
	VC Fund	X		X
	<b>2.2 Support for new production technologies, ICT and selected strategic services</b>			
	Development	X		
	ICT and Strategic Services	X	X	
	ICT in Enterprises	X		X
3. Effective Energy	<b>3.1 Energy savings and renewable energy sources</b>			
	Eco-energy	X	X	
4. Innovation	<b>4.1 Increasing the innovative performance of firms</b>			
	Innovation	X	X	X
	<b>4.2 Capacities for industrial research and development</b>			
	Potential	X	X	
5. Environment for Enterprise and Innovation	<b>5.1 Cooperation platforms</b>			
	Cooperation	X	X	X
	Prosperity	X	X	X
	<b>5.2 Infrastructure for human resources development</b>			
	Training Centres	X	X	X
	<b>5.3 Business infrastructure</b>			
6. Business Development Services	<b>6.1 Support for consulting services</b>			
	Consulting	X		X
	<b>6.2 Support for marketing services</b>			
	Marketing	X		X
7. Technical Assistance	<b>7.1 Technical assistance in the management and the implementation</b>			X
	<b>7.2 Other technical assistance</b>			X

\* SME – small and medium-sized enterprises

\*\* LE – large enterprises (see chapter 1.2.3 of the OPEI)

## Annex No. 2

The opinion of the Ministry of Environment of the Czech Republic according to Act No 100/2001 Coll., on Assessment of impacts on the environment and on the amendment of some related acts in the wording of Act No 93/2004 Coll., regarding the proposed concept of the “Operational Programme Enterprise and Innovation for the Years 2007-2013”

### MINISTRY OF ENVIRONMENT

100 10 PRAHA 10 - VRŠOVICE, Vršovická 65

Prague 16 August 2006 No:  
58873/ENV/06

### OPINION

**of the Ministry of Environment**

**pursuant to Act No 100/2001 Coll., on Assessment of impacts on the environment in the wording of Act No 93/2004 Coll.,**

**on the proposed concept of the**

**“Operational Programme Enterprise and Innovation for the years 2007-2013”**

**version dated 10 May 2006**

**Concept proposer:**

Ministry of Industry and Trade, Department of SF

**Assessment team:**

Mgr. Martin Smutný, REC CR; An authorised person in accordance with Act No 100/2001 Coll., on environmental assessment, as amended. Professional competence certificate No 7554/OPVI/04

Ing. Jana Svobodová; An authorised person in accordance with Act No 244/1992 Coll., on environmental assessment, as amended. Professional competence certificate No 13090/2113/OPVŽP/02

Ing. Miroslav Šafařík, Ph. D.

Ing. Lubomír Nondek, CSc.

RNDr. Petr Blahník; An authorised person in accordance with § 45i of the Act No 114/1992 on nature and landscape protection, on the basis of a decision by the Ministry of Environment of November 11, 2004, file No 630/3243/04.

Ing. Jaroslav Klusák

Mgr. Michal Musil

MUDr. Helena Kazmarová; Professional competence certificate for the area of public health impact assessment No HEM-300-1.7.05/23377, issued by the Ministry of Health Care, serial No 10/2005, valid till July 11, 2010

MUDr. Jaroslav Volf; Professional competence certificate for the area of public health impact assessment No HEM-300-7.3.05/11039, issued by the Ministry of Health Care, serial No 5/2005, valid till April 11, 2010

Ing. Jana Hrnčířová

**Assessment procedure:**

An announcement of the concept, prepared in the extent specified in Appendix 7 of the Act No 100/2001 Coll., on Assessment of impacts on the environment in the wording of Act No 93/2004 Coll., (hereinafter only “Act No 100/2001 Coll.”) was submitted to the Ministry of Environment on 7 March 2006. Inquiry proceedings commenced on 16 March 2006 by way of public notification in the EIA Information system by circulating relevant administrative bodies and relevant self government units. The inquiry proceedings terminated on 21 April 2006 by the issuance of the conclusions of the inquiry proceedings.

The proposed concept including the assessment of the effects on the environment was submitted to the Ministry of Environment on 9 June 2006 and after a control of requisites it was publicised in the Information system SEA and distributed to relevant self governing units. Public hearing of the proposed concept including the evaluation of the impacts on the environment was held on 11 July 2006 at the MIT in Prague at 3:00 pm. Beyond the bounds of law the MIT in cooperation with the assessor organised an introductory public seminar on 29 March 2006 at the MIT in Prague. The Ministry of Environment received the proceedings from the public hearing on 19 July 2006.

On 29 March 2006 an introductory public seminar was organised in the building of the Ministry of Industry and Trade (Politických vězňů 20, Praha 1). The seminar was organised by the proposer in cooperation with the assessor beyond the bounds of law.

**Summary of the concept:**

The Operational Programme Enterprise and Innovation 2007-2013 (hereinafter only “OPEI”) is a document on drawing financial means of the EU Structural Funds in the area of enterprise and innovation. The programme has been prepared by the Ministry of Industry and Trade of the Czech Republic and it elaborates the priority axis “Strengthening the competitiveness of the Czech economy” of the National Development Plan of the Czech Republic 2007-2013. The OPEI sets the objectives, priorities and areas of intervention; within them it will be possible to submit projects applications for co-financing from the Structural Funds of the EU. In the process of compiling this operational programme the experience from the Operational Programme Industry and Enterprise for the years 2004-2006 were taken into account as well as the existing experience from the drawing of the means from the Structural Funds.

**Summary of the assessment procedure:**

The Operational Programme Enterprise and Innovation environmental assessment was carried out in accordance with the law and in the extent specified in Annex 9 of the Act No 100/2001 Coll. The OPEI has been assessed also according to paragraph 45i of the Act No 114/1992 Coll., on 1992 on nature and landscape protection, as amended, in terms of the impacts on sites of European importance and the bird’s sites and on the state of their protection in these terms, in accordance with paragraph 45 (h) of the Act No 114/1992 Coll., on nature and landscape protection, as amended.

**Conclusions of the assessment:**

The Ministry of Environment as the body relevant according to paragraph 21 of the Act No 100/2001 Coll., on the basis of the proposed concept, completed the assessment of the concept in compliance with the Act No 100/2001 Coll., including an evaluation of the concept according to paragraph 45i of the Act No 114/1992 Coll., on nature and landscape protection, as amended, opinion of relevant administration authorities, relevant self government entities and the public results of public hearing, the following has been issued

**Affirmative opinion**  
**on the proposal of the concept**  
**“Operational Programme Enterprise and Innovation**  
**for the years 2007 – 2013”**  
**Version of 10 May 2006**

subject the conditions below (Part A):

1. Within the scope of an overall monitoring of the OPEI to monitor the effects of the OPEI's implementation on the environment, i.e. namely:
  - a to incorporate the selected proposed environmental indicators and indicators for the area of public health into the general system of monitoring of the OPEI's impacts,
  - b to interconnect the system of monitoring the OPEI with the system of assessment and selecting the projects with the use of environmental criteria
  - c to include dust particles fraction PM<sub>10</sub> in the environmental indicators.
2. To publicise on regular basis the outputs from the monitoring i.e. running impacts of the implementation of the OPEI on the environment and on public health,
3. To take into consideration environmental aspects as part of overall assessment and selection of the projects, i.e. namely:
  - a to incorporate the proposed environmental criteria into an overall system of assessment and selection of the projects (while it is necessary to carry out their selection and appropriate modification for individual areas of intervention and/or for individual projects),
  - b to include the criterion “Reducing the exposure of the population of the settlements to traffic noise and to noise from industrial activities” among the criteria for the project selection,
  - c to include the use of best available techniques (BAT) among the criteria for the project selection,
  - d in the course of the realisation of individual projects to take into consideration the proposed measures for reducing their potential negative effects on the environment and public health, i.e. to use these measures when determining the terms for the realisation of the projects to be provided aid within the OPEI.
4. To ensure that the applicants have sufficient and accessible information on environmental aspects and on possible relations of submitted projects to the environment.
5. To incorporate the suggestions and recommendations of the SEA's project team regarding amending the contents and strategic orientation of the OPEI with regard to environmental aspects specified in the annex of the evaluation. Should they not be accepted we request a justification.
6. We request that correct terminology is used namely in the area of waste management and that appropriate corrections are made.

The realisation of the concept of the “Operational Programme Enterprise and Innovation for the years 2007-2013” will not have any significant negative impacts on the sites of European importance and the bird’s sites subject to meeting the conditions below (Part B).

The priorities and objectives have been formulated without any relation to a concrete territory and therefore it is necessary that all the projects are submitted to the body of nature protection with an application for an opinion according to paragraph 45i of the Act No 114/1992 as amended.

**Ing. Jaroslava HONOVÁ**

Director

Department of Environmental Impact Assessment and IPPC



Ministry of Environment



**Ing. Jaroslava HONOVÁ**  
ředitelka odboru  
posuzování vlivů na životní prostředí a IPPC